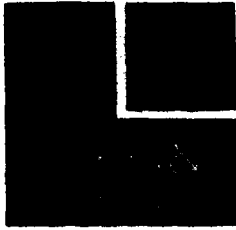


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Via Federal Express

February 1, 2006

Karl Fingerhood  
U.S. Department of Justice  
Environmental Enforcement Section  
U.S. Department of Justice  
ENRD Mailroom, Room 2121  
601 D. Street, N.W.  
Washington, D.C. 20044-7611

Re: United States V. Powerine Oil Company et al.  
Civil No. CV-04-6435 PA(JWJX) USDC C.D. Cal.

Dear Karl:

On November 16, 2005, you sent me a letter which contained additional questions regarding the finances of Powerine, CENCO and EMC ("Powerine"). Enclosed are Powerine's responses to those questions. As we have explained in the past, however, EMC denies any liability in this case and, by providing information concerning EMC, we do not waive any arguments we have regarding EMC's alleged liability.

We have attempted to be as thorough as possible. However, because some of the questions relate to records from several years ago, we have not been able to locate all of the backup information. If you have any additional questions or require any additional information, please let us know.

As we discussed last week, Powerine would very much like to reach a resolution of this matter as quickly as possible so that cleanup of the refinery site, sale and development can proceed.

Thank you very much for your cooperation.

Sincerely,

Albert M. Cohen  
of Loeb & Loeb LLP

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Enclosures

**RESPONSES OF POWERINE OIL COMPANY, CENCO AND EMC  
TO EPA'S NOVEMBER 16, 2005 QUESTIONS AND DOCUMENT REQUESTS**

**Question 1)** Describe the nature of the capital gains in the amount of \$7,134,304 captioned "EMCC Commodity Trading" as reported on Schedule D to Form 1120 for 1999, a) explain why there is no cost basis associated with these sales and b) identify what was done with the proceeds from these sales.

**Response:** On the 1999 form 1120 schedule D, the short-term capital gains in the amount of \$7,134,304 captioned as "EMCC Commodity Trading" reflect the net taxable income realized by EMC Capital Corp and affiliates from buying and selling regulated commodity futures and options on NYMEX (hereinafter the "Merc") during calendar year 1999. These trades were executed in several different segregated commodity futures accounts at major brokerage houses. Schedules that summarize the calculation of taxable income in the amount of \$7,134,304, which were prepared contemporaneously with the trading activity that generated the aforementioned taxable income, are located in Exhibit A. There is no cost reported for these trades because the net revenue was comprised of the gross option premiums received less losses realized on the related future contracts delivered/received when options matured and needed to be converted into the underlying securities.

As can be seen from the first page of Exhibit A, the taxable income from the Pioneer 70394 trading account, the Pioneer 70394R trading account, the Refco 30970 trading account, the S. Stone 14705 trading account, and the London trading account total \$16,661,475.07. This taxable income amount is reduced by two items: first, a private put premium in the amount of \$6,130,500 and second, taxable losses from the Pioneer 70393 trading account in the amount of \$3,396,668.

As the name indicates, the private put premium represents a single premium payment on a private put option. The transaction was reversed approximately 8 months later and is captured as taxable income during 2000 (additional information regarding the reversal of the private put premium is discussed in the response to question two below). The taxable losses from the Pioneer 70393 trading account in the amount of \$3,396,668 are shown as a single item in Exhibit A, rather than including additional detail as is the case with the other trading accounts, because sufficient records were not available at the time the first page of Exhibit A was prepared to provide a more detailed accounting. After deducting the two items discussed above, the resulting net taxable income, as referenced in the previous paragraph, is \$7,134,307.

Three additional schedules are also included in Exhibit A. These three schedules provide additional detail of monthly transactions for the Pioneer 70394 trading account, the Pioneer 70394R trading account, the Refco 30970 trading account, and the S. Stone 14705 trading account. At the present time, we have been unable

to locate additional detail for the London account. As detailed in Exhibit A, the London account represents only \$180,670 of the \$7,134,306 gain.

In general, it was the practice to reinvest the net proceeds in new trades. However, at times it was necessary to transfer money to other entities within the EMC consolidated group to fund working capital requirements and federal tax payments. In addition, funds have been used to make other long-term investments. At this time all of the net proceeds have been withdrawn for these purposes.

By way of example, from 1998 to 2003, the EMC consolidated group invested \$19,700,482 in Energy Merchant, LLC<sup>1</sup> (hereinafter "EMLLC"). In particular, the EMC consolidated group's investments in EMLLC are comprised of a \$10,000,000 investment in 1998 (see page 6 of the Energy Merchant Corporation [hereinafter "EMC"] 1999 consolidated tax return in Exhibit B), an \$8,350,483 investment in 2000 (see page 5 of the EMLLC 2000/2001 comparative audited financial statements included in Exhibit C), and a \$1,350,000 investment in 2003 (see page 5 of the EMLLC 2003 reviewed financial statements included in Exhibit C). Since it began operations in December 1998, EMLLC has experienced significant working capital deficiencies and operating losses. Funds invested by the EMC consolidated group have been utilized by EMLLC to cover these deficiencies and losses.<sup>2</sup>

**Question 2)** Describe the nature of the capital gains in the amount of \$41,141,782 captioned "Commodities Futures and Options" as reported on Schedule D to Form 1120 for 2000, a) explain why there is no cost basis with these sales and b) identify what was done with the proceeds from these sales.

**Response:** On the 2000 form 1120 schedule D, the short-term capital gains in the amount of \$41,141,782 captioned as "Commodities Futures and Options" reports similar trading activity as explained in response to question one. Schedules that summarize the calculation of taxable income in the amount of \$41,141,782 are located in Exhibit D. The schedules located in Exhibit D, with the exception of the reconciliation totals included at the bottom of the first page, were prepared contemporaneously with the trading activity that generated the aforementioned taxable income.

The reversal of the private put premium discussed in the response to question one is shown on the first page of Exhibit D. As can be seen, \$6,000,000 of the original \$6,130,000 premium was refunded during 2000.

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<sup>1</sup> EMLLC is 99% owned by Energy Merchant Holding, Inc. (hereinafter "EMH"). EMLLC is engaged in providing price protection programs and the merchandising of petroleum products, predominantly heating oil, diesel fuel and gasoline.

<sup>2</sup> As reflected in the EMLLC 2004 reviewed financial statements included in Exhibit C, EMLLC currently has limited assets and operating activity.



As with Exhibit A, several additional schedules are included that provide additional detail of monthly transactions. For example, the second page of Exhibit D provides detail for the Refco 30970 and Refco LTC accounts. A slight discrepancy exists in the Refco 30970 account between the total contained on the more detailed schedule located at the second page of Exhibit B (\$23,159,962) and total contained on the YTD Realized P&L shown on the first page of Exhibit D (\$23,316,417). At this time, we are not certain of the reason for the discrepancy; however, the discrepancy is offset by a discrepancy for essentially the same amount in the Pioneer 70394 account. The logical explanation is that a trade that should have been recorded in the Refco account was inadvertently recorded in the Pioneer account (or vice-a-versa).

**Question 3)** Explain the reason for the officer compensation in the amount of \$9,708,541 paid to Michael Cornish from EMC Capital Corp. in 2000 as indicated on Statement 3 to Form 1120. Provide all documentation related to this compensation, including any employment contract with this individual and any board resolutions approving this payment.

**Response:** First, we thought it would be helpful to provide a brief summary of the relationship between Mr. Cornish and EMC. Mr. Cornish joined EMC in late 1998. He was responsible for the trading operations and personally traded energy futures and options on the commodity exchanges. Mr. Cornish was very successful and, as standard in the industry, received a bonus of 20% of his gross profit. During 1999 and 2000, Mr. Cornish was paid seven figure bonuses due to his successful trading. During 2001 and 2002, Mr. Cornish's trading activities were less successful; accordingly, his compensation was significantly less during 2001 and 2002 than it was during 1999 and 2000. Mr. Cornish had a falling out with management because he disagreed with management's decision to use money made by Mr. Cornish to fund the marketing operations. The marketing operations were losing many millions of dollars and needed substantial infusion of cash to maintain their operations. This dispute resulted in Mr. Cornish leaving Energy Merchant to go on his own. As the parties continued to desire to work together in some fashion it was decided that the Company would sponsor an energy fund with Mr. Cornish as the lead trader. Over the course of a year the Company developed an energy fund (the "Fund") with the intention of raising up to 100 million dollars in investment capital. During the development of the Fund the parties operated the Fund using their own money with most of the invested money belong to Mr. Cornish. During 2003, just when the Fund was going to begin raising money, Mr. Cornish was very successful and made tens of millions of dollars.<sup>3</sup> Mr. Cornish decided not to continue with the Fund and formed his own company.

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<sup>3</sup> EMC received its proportionate share of the trading profits generated by Mr. Cornish during 2003. However, since most of the invested capital had been contributed by Mr. Cornish, the vast majority of the profits ascribed to Mr. Cornish. It is estimated that EMC received about \$2 million from these trades. \$1 million was used to fund operations of EMLLC and the rest was used to fund other EMC operations.

As noted above, Michael Cornish was the primary trader who designed and executed the option trading program that resulted in the extraordinary net revenues noted above. His compensation was negotiated between the executive officers and directors of EMC and relates directly to the success of his efforts during 1999 and 2000. Mike Cornish received a profit split of 20% as his compensation for his performance. As noted, this is a standard fee in the industry. This payment was reported as compensation to Mr. Cornish for that taxable year.

The EMC consolidated group did not view it as advantageous to execute an employment agreement with Michael Cornish regarding his compensation. Accordingly, no such agreement was executed. To our knowledge, Mr. Cornish's compensation is not contained in any board resolutions. No other documents are available to the EMC consolidated group at this time that would document the terms of Mr. Cornish's employment or compensation. EMC officials are available to discuss the employment arrangement if that would be helpful.

**Question 4)** Statement 15 to Form 1120 for 2001 lists beginning Total Other Current Assets in the amount of \$25,143,454, including \$9,233,836 captioned "Advest Stocks & Bonds". Schedule 16 to Form 1120 for 2001 lists beginning Combined Other Investments in the amount of \$39,028,833, including \$2,248,257 captioned "Advest". Statement 20 to Form 1120 for 2001 lists ending Total Other Current Assets in the amount of \$7,811,786, which includes no amount captioned "Advest". Schedule 21 to Form 1120 for 2001 lists ending Combined Other Investments in the amount of \$62,816,633, including \$2,079,519 captioned "Advest". Statement 5 to Form 1120 for 2001 reflects for Advest a sales price of zero, a basis of \$731,715, and a resulting loss of \$731,715. Explain the nature of the Advest investments which totaled \$11,482,093 as of December 31, 2000, and explain how these investments declined in value to only \$2,079,519 as of December 31, 2001.

**Response:** The investments held in the "Advest" accounts were comprised of stocks, bonds and money market funds (securities held for trading) that were marked to market daily. Exhibit E details, among other things, the market value, cost, unrealized gains and losses and accrued income on investments held in EMC's Advest account as of December 31, 2000. The balance reflected on EMC's financial statements was \$9,233,836. To calculate this balance, one must consider the impact relating to the sale of two securities that had been ordered, but not settled, on December 31, 2000. In particular, EMC had ordered the sale of its holdings in Nasdaq100 and Sun Microsystems but, by December 31, 2000, the trades had yet been settled. Accordingly, Exhibit E reflects EMC's combined total of the market value of securities in the Advest account as \$16,087,442. This amount is first reduced in Exhibit E by \$6,534,375. This amount represents the market value of the Nasdaq 100 and Sun Microsystems securities (\$5,837,500 + \$696,875 = \$6,534,375). The resulting balance of \$9,553,067 is further reduced by \$319,231, which represents the unrealized loss in these two positions

$((\$283,289.80) + (\$35,941.45) = (\$319,231.25))$ . The resulting balance is \$9,233,836.

Individual securities were not usually held for extended periods of time and thus the change in the value of the total account balance from one period to another is not indicative exclusively of losses (or gains) realized or recognized during an entire calendar year; instead, the decline in the balance reflects both the sale of securities held in the Advest account and the transfer of sale proceeds to other entities within the EMC consolidated group to fund working capital requirements or make long-term investments.

**Question 5)** Explain the nature of the \$6,600,000 in 2001 which was reported on the books but not included on the tax return. This income is reflected on Schedule M-1 to Form 1120.

**Response:** The non-taxable income booked in 2001 and reported on form 1120 schedule M-1 consisted of \$ 6,600,000 of unrealized appreciation in the value of the investment in a note receivable that had been purchased at a deep discount in 1999 by EMLLC. As shown in Exhibit F, differences between book income and tax income, which are what is captured in M-1 adjustments contained in tax returns, for the years 1999 to 2004 are primarily temporary differences that have essentially reversed or been eliminated during the 1999 to 2004 time period. In particular, Exhibit F shows that the EMC consolidated group's loss before federal tax for book purposes for the years 1999 to 2004 was \$3,517,113. For this same time period, the EMC consolidated group's loss before federal tax for tax purposes for the years 1999 to 2004 was \$3,196,949. The difference between these two numbers, which is only \$320,164, likely relates to permanent differences between book income and tax income (e.g., only 50% of expenses for meals and entertainment are deductible for tax purposes). Such permanent differences between book income and tax income are common in companies' accounting records.

This revaluation was recognized for book purposes because the debtor, Stratus Petroleum Corp. (hereinafter "Stratus"), had embarked on a program to sell some of its operational assets at a substantial premium over their historical book/carrying values and these assets were pledged as collateral for the discounted note. Management was assured that when the sales were completed the proceeds payable to EMLLC would far exceed the investment in the note receivable resulting in a capital gain to EMLLC. Beginning in 2002 when Stratus began selling its operational assets and continuing through today, EMLLC has reported taxable income equaling sums collected against this note that are substantially more than the sum originally estimated in 2001. All proceeds received by EMLLC from Stratus as payments under the discounted note have been used for working capital purposes and/or long-term investments within the EMC consolidated group.

**Question 6)** The Affiliations Schedule included as part on EMC's 2003 federal income tax return reflects 100% ownership of six entities, including a) EMC Capital Corporation, b) Energy Merchant Holding, Inc., c) Energy Merchant Management Co., LLC, d) Anglo Petroleum Corp., e) Corporate Development, Inc. and f) Powerine Oil Corp. The undated organizational chart provided excludes Energy Merchant Management Co., LLC, Anglo Petroleum Corp., and Corporate Development, Inc. Please explain why each divested, provide a) the date of the divestiture, b) the party to whom the entity was divested and c) the amount and form of compensation received.

**Response:** There are two inactive wholly owned subsidiaries not listed on the current EMC organizational chart because they have no employees, assets or revenues: Anglo Petroleum Corp and Corporate Development, Inc. They were still listed on the consolidated income tax returns, even though none of these entities actively conducted any business, since the corporate charters have not been surrendered and management wished to preserve its option to re-activate one or more of these entities in the future. Energy Merchant Management Company LLC (hereinafter "EMMC") was an entity that was created to provide back office, bookkeeping, and administrative services for Energy Merchant Advisory Co, LLC (hereinafter "EMAC"), a defunct investment advisory company, and Energy Merchant Investors Fund, LLC (hereinafter "EMIC"), a defunct entity created for the purpose of creating and holding a commodity energy hedge fund. None of these entities are involved in EMC's core businesses. (See also the answer to question nine below).

**Question 7)** Due from affiliates as reflected on Statement 7 of Form 1120 for 2003 was \$3,208,497 at year end 2002 and \$502,047 at year end 2003. Please a) explain this reduction; b) identify the specific affiliates; and c) explain the origin of this amount due.

**Response:** The amounts reported as due from affiliates reflect open advances of working capital to subsidiaries. Open advances made to EMC by its more liquid subsidiaries provide these funds and are reported as due to affiliates on the same balance sheets. Exhibit G details the balances reflected as due from affiliates for the year end 2002, in the amount of \$3,208,498, and for the year end 2003, in the amount of \$502,047. As can be seen, Exhibit G segregates the balances into two separate categories. The first category reflects balances that were written-off or otherwise adjusted because of poor financial performance and/or the termination of the entity. In particular, the \$7,000 balance owed from Energy Merchant Investment Fund, LLC (hereinafter "EMIF"), the \$975,888 balance owed from EMAC (see also the response to question nine) and the \$1,542,722 balance owed from WTL or Williams Technologies, LLC (hereinafter "WTLLC") were written-off or otherwise adjusted because of poor financial performance and/or the termination of these entities (additional information regarding EMIF, EMAC and WTLLC is included in the response to questions ten and eleven).

The second category reflects balances that changed as a result of cash payments made to or on behalf of the entity that held the receivable. Changes in the balances owed from EML or EMLLC, and SPC or Stratus reflects balances that changed as a result of intercompany transactions that were either direct cash transactions between the entities or transactions for which a benefit was transferred and received. Accordingly, there is no explanation for the changes in the later category other than normal working capital uses and sources.

**Question 8)** Loans to employees as reflected on Statement 7 of Form 1120 for 2003 was totaled \$1,854,428 at year end 2003. Provide identification of each individual included in this documentation (including but not limited to notes, loan agreements, amortization schedules, security or collateral agreements, etc.) documenting the terms of the loans, along with the current balance and terms of any loans still outstanding.

**Response:** The amount due from employees at December 31, 2003 was comprised of non-interest bearing loans to the following individuals: W. Arthur Benson balance due on a loan - \$1,000,000; Elizabeth Y. Moy short-term business loan for an unrelated venture - \$150,000; and Paul W. Perconti payroll advances against future profit sharing bonuses - \$704,428. As of December 31, 2005 the following balances remain due and payable: Benson - \$1,000,000; Moy - \$75,000; and Perconti - \$404,428.

**Question 9)** Due from EMAC as reflected on Statement 7 of Form 1120 for 2003 was \$975,388 at year end 2002, and zero at year end 2003. Explain the reasons for this reduction, and provide all relevant documents.

**Response:** The amount due from EMAC at December 31, 2002 was offset by the equity in the losses incurred by this subsidiary during 2001 and the year then ended. In 2003 this company was closed after incurring additional losses and these "loans" were forgiven and posted as additional contributions to the capital of this failed business venture. The EMAC 2002 and 2003 partnership tax returns are included in Exhibit H.

**Question 10)** Explain the reasons for the reductions in Other Investments as reflected on Statement 8 to the 2003 federal income tax return in: a) Design-Architects.com, from \$250,000 at year end 2002 to \$0 at year end 2003; b) Energy Merchant Holding, Inc., from \$22,851,494 at year end 2002 to \$(785,573) at year end 2003; c) EMC Capital Corporation, from \$11,178,187 at year end 2002 to \$75,073 at year end 2003; d) Energy Merchant LLC, from \$13,116,031 at year end 2002 to \$(1,460,646) at year end 2003; e) Williams Technologies LLC, from \$(1,542,722) at year end 2002 to \$0 at year end 2003 (an increase); f) FIMAT & Stone Brokerage, from \$236,158 year end 2002 to \$0 at year end 2003; g) EMIF LLC, from \$820,374 at year end 2002 to \$0 at year end 2003, h) EMAC LLC, from \$(97,540) at year end 2002 to \$73,222 at year end 2003 (an increase);

and i) EMMC LLC, from \$(151,205) at year end 2002 to \$465 at year end 2003 (an increase). Provide all relevant documents related to each of these changes.

**Response:** Other capital investments in both included and unconsolidated subsidiaries and affiliates were carried at their cost or equity basis. During 2003 management, following a review of its investment policies, wrote down all of the unconsolidated investments to their net realizable values – usually zero. Also, they reclassified all working capital advances that were originally categorized as loans that had not been returned and expect to remain that way as contributions to capital of each subsidiary.

As further support for the adjustments addressed in this response, we have included, in instances where little or no explanation has been provided elsewhere in the responses, a brief discussion of each entity. In addition, we have indicated below if tax returns have been included in the exhibits to the responses. The responses below correspond to the lettering contained in the question.

- a) Design-Architects.com was created to be an internet-based design firm on real estate building projects. Michael Cornish's brother was one of the principals of the business. Like many internet-based businesses initiated in the late 1990s, Design-Architects.com was not successful and is currently defunct. We are unable to locate any financial information on Design-Architects.com. EMC officials are available to discuss EMC's investment in Design-Architects.com if that would be helpful.
- b) The balance in EMH's asset accounts at year end 2002 was comprised primarily of investments in EMC Capital Corp. and EMLLC. Accordingly, one must consider the financial condition and operating performance of EMC Capital Corp. (discussed briefly at item c.) and EMLLC when evaluating EMH. As mentioned previously, EMLLC's audited and reviewed financial statements for the years 2000 to 2004 are located at Exhibit C. A 2003 tax return for EMH is contained in Exhibit I.
- c) The balance in EMC Capital Corp.'s asset accounts at year end 2002 was comprised primarily of an intercompany receivable due from EMC. Accordingly, the repayment of this balance would have no net affect on the EMC consolidated group, since any cash inflow to EMC Capital Corp. due to a repayment on the intercompany receivable would be exactly offset by a corresponding cash outflow from EMC. EMC Capital Corp. tax returns for the years 2002 and 2003 are contained in Exhibit J.

- d) The EMLLC asset balance in the amount of \$13,116,031 reflects EMH's recorded investment in EMLLC. This asset balance was discussed in item b.
- e) WTLLC was developing drilling technology to be applied to proven reserves. In addition, WTLLC had a working interest in proven fields. As can be seen from the tax returns (see Exhibit K), WTLLC only generated nominal amounts of revenue while incurring relatively significant costs – primarily relating to oil and gas leases and salaries. The original capital investment was made by EMH. The negative balance in the amount of \$1,542,722 represents EMH's negative capital account comprised of EMH's original \$100,000 capital investment less the losses incurred since the inception of the business. When the business ceased in 2002, the negative capital account was written off. By the end of 2002, EMH held a 100% interest in WTLLC.

WTLLC losses were being funded (with the exception of the initial capital contributions) by loans from EMC. Since EMH held a 100% interest at the time WTLLC ceased operations, the negative capital account in the amount of \$1,542,722 equaled exactly the amount of the loan owing from WTLLC to EMC (see the response to question seven). Accordingly, not only was the investment with a credit balance adjusted to zero, but the receivable balance on the books of EMC with a debit balance for the same amount was adjusted to zero as well.

- f) The reduction in the FIMAT & Stone Brokerage accounts from \$236,158 at year end 2002 to \$0 at year end 2003 represents the transfer of any securities or cash balances from these brokerage accounts to other brokerage accounts or the use of these balances to fund working capital deficiencies, fund operating losses or make other long-term investments.
- g) EMIF, EMAC and EMMC are discussed in the response to questions six and eleven. As mentioned previously, tax returns for EMAC are contained in Exhibit H. Tax returns for EMMC are contained in Exhibit L. Tax returns for EMIF are contained in Exhibit M.

**Question 11)** Explain the relationship between EMC and: a) Design-Architects.com; b) Williams Technologies LLC; c) FIMAT & Stone Brokerage; d) EMAC LLC; e) EMMC LLC; f) Energy Merchants Investors Fund LLC; and g) EMAC. Your response should include a) the business purpose of each entity; b) EMC's ownership interest, if any, in each entity; c) how any such ownership interest was acquired; d) a description of any transactions between EMC and each entity; e) when EMC's relationship with the entity

ended; f) why the relationship ended; g) the identification of the purchaser of any interest owned by EMC; and h) the amount received by EMC for any interest sold or transferred.

**Response:** The response to question ten is also responsive to some of the items listed in this question. The responses below correspond to the lettering contained in the question.

- a) EMC was an investor and subordinated creditor to Design-Architects.com. See response a. to question 10 for additional information.
- b) EMC Capital Corp was the majority owner of WTLLC. This entity ceased operations in 2002. See response e. to question 10 for additional information.
- c) FIMAT and Stone are trading accounts with brokerage houses. EMC has no affiliation with the national brokerage houses FIMAT or Stone. See response f. to question 10 for additional information.
- d) EMAC was intended to be the investment advisory company for EMIF. The EMC consolidated group's interest in EMIF was held by EMC Capital Corp. The fund never materialized as envisioned and was liquidated in April 2003 when the fund managers left to form their own companies. EMIF was an entity created for the purpose of creating and holding a commodity energy hedge fund. The EMC consolidated group's interest in EMAC was held by EMH (or Energy Merchant Holding, Inc.). This ownership interest was approximately 10% with Michael Cornish owning the remaining 90% EMAC never materialized into an operating entity (it only reflected expenses) and was closed in 2003 coinciding with the termination and liquidation of EMIF.
- e) EMMC was created to provide back office, bookkeeping, and administrative services for EMAC, a defunct investment advisory company and EMIC, a defunct entity created for the purpose of creating and holding a commodity energy hedge fund. Like EMAC above, EMMC never materialized into an operating entity and was closed in 2003 coinciding with the termination and liquidation of EMIF.
- f) As discussed in subpart d above, EMIF was intended to be a vehicle for creating and holding a commodity energy hedge fund. It never materialized and all profits were distributed to the investors. EMC's share of profits was used for working capital in the various EMC businesses.
- g) EMAC is the same entity as discussed in subpart d above.



**Question 12)** According to Statement 11 to Form 1120 for 2003, cash dividends from subsidiary in the amount of \$13,112,269 and cash dividends from EMC CC (which we understand to mean EMC Capital Corp.) of \$13,112,269 were zeroed out with a \$26,224,538 adjustment. Explain the nature of these dividends and why they were offset by this adjustment.

**Response:** The upstream inter-company dividend of \$13,112,269 from EMC Capital Corp. to its parent EMH reports the reclassification of working capital advances previously recorded as an inter-company receivable from EMC on EMC Capital Corp.'s books as a dividend. In turn this entry was recorded between EMH and its parent EMC. The cumulative effect of these transfers eliminates an inter-company loan and reduces inter-company capital investments by a like amount. The build-up of the inter-company receivable between EMC Capital Corp. and EMC reflects the transfer of funds from EMC Capital Corp. to EMC. However, the transaction categorized as a dividend during 2003 in the amount of \$13,112,269 is simply an accounting entry that reclassifies the receivable owed from EMC to EMC Capital Corp. as a dividend. Since EMC Capital Corp. is a wholly-owned subsidiary of EMH, and EMH is a wholly-owned subsidiary of EMC, the dividend reclassification was recorded as between EMH and EMC Capital in the amount of \$13,112,269, as well as between EMC and EMH in the amount of \$13,112,269. Since in 2003 a 100% dividend exclusion was afforded to dividends between wholly-owned subsidiaries, an adjusting entry in the amount of \$26,224,538 was made to eliminate the impact to taxable income of the dividend reclassification .

**Question 13)** According to Statement 13 to Form 1120 for 2003, equity in subsidiary earnings of \$2,009,155 was zeroed out with a \$2,009,155 adjustment. Explain why these earnings were offset by this adjustment.

**Response:** The subsidiary earnings of \$2,009,155 reflect EMC equity in the net profits of EMC Capital Corp (see Exhibit J). The actual revenues and expenses of these subsidiaries were reported directly on the consolidated return, and thus this inter-company book income must be eliminated in consolidation to avoid duplication.

**Question 14)** The combined totals column on the Consolidated Reports to Form 1120 for 2003 show \$26,236,582 in dividends which is zeroed out through an equivalent special deduction. Explain the nature and purpose of this special deduction.

**Response:** The special deduction allowed to EMC represents the combined dividends from EMC Capital Corp to EMH, and from EMH to EMC – see answer number 12 above and form 851 Affiliations Schedule contained in the EMC 2003 tax return.

**Question 15)** Provide financial statements for the year end December 31, 2004 and the most recent year to date financial statement for 2005.

**Response:** The 2004 income statements and balance sheets are contained in the 2004 EMC consolidated income tax return contained in Exhibit N. The preparation of the 2005 financial statements will coincide with the initial work performed in conjunction with the 2005 tax return.

**Question 16)** Provide the complete federal income tax return for 2004.

**Response:** The EMC consolidated 2004 income tax return is contained in Exhibit N. The primary elements of EMC's income for 2004 were as follows. First, there was consulting income earned by EMLLC pursuant to a Consulting Agreement with a company named Guttman trading. In general EMLLC did a marketing business under the Guttman name with EMLLC using their people and Guttman providing the financing. Income was split 50-50 between the parties. All parties were responsible for their own overhead. Second, Stratus Petroleum (see discussion above) sold their terminal facility in Baltimore, Maryland. The proceeds from the sale were paid to EMLLC to pay down the principal balance of the note. Third, CENCO, also a company owned 50% by Energy Merchant, sold some of its refining equipment in December 2004 to Sinclair Oil Company.<sup>4</sup> Finally, EMC sold 50% of its ownership interest in EMC Capital Corp. Accordingly, the taxable income realized during 2004 did not result from on-going operations. Instead, the taxable income was generated from one-time events.<sup>5</sup>

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<sup>4</sup> Most of the proceeds were used to cover CENCO overhead and CENCO business and litigation expenses or other EMC business activities. A portion of these funds, about \$3 million, were paid to Pat Robertson who was entitled to a share of the receipts from equipment sales.

<sup>5</sup> During 2005, Stratus Petroleum sold its last terminal of material size located in Newark, New Jersey. The proceeds, about \$2.8 million, were used to pay the last portion of the Stratus Petroleum note. These funds were used to cover EMLLC operations and for other general corporate purposes.

**Question contained in November 16, 2005 transmittal letter from the U.S.**

**Department of Justice)** In addition, as discussed at our meeting, we understand that your clients were going to provide additional information regarding the \$12.5 million "dividend" paid to EMC and where those funds went.

**Response:** During the summer of 1998, EMC sold Powerine Oil Company's (hereinafter "Powerine") refinery and related assets to CENCO. As a result of the earnings realized by Powerine during 1998, Powerine, essentially a shell company after the sale of the refinery and related assets, transferred approximately \$12.5 million as a "dividend" to EMC. The two most significant uses of the \$12.5 million transferred to EMC were a \$10 million investment to acquire EMLLC<sup>6</sup> and a \$1 million investment to capitalize EMC Capital Corp. A copy of the journal entries, which were prepared contemporaneously with the aforementioned transactions, are located in Exhibit O.

#### **VERIFICATION**

I, VINCENT J. PAPA, declare as follows:

I have read the foregoing RESPONSES OF POWERINE OIL COMPANY, CENCO AND EMC TO EPA'S NOVEMBER 16, 2005 QUESTIONS AND DOCUMENT REQUESTS and know its contents.

The matters stated in the foregoing document are true to the best of my information and belief.

Executed on February 2, 2006, at Salt Lake City, Utah.

I declare under penalty of perjury under the laws of the State of Utah that the foregoing is true and correct.

  
VINCENT J. PAPA

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<sup>6</sup> The other primary investor in the EMLLC transaction was Power and Energy Capital Group, Inc./Harvard Management Company, Inc. (see Exhibit P).

A

**EXHIBIT A**  
**Detail of Trading Gains & Losses**  
**January- December 1999**

INCOME = ( )	Pioneer 70394	Pioneer 70394R	Refco 30970	S. Stone 14705	London P & L	Other P & L	Total	Running Balance
Prior Yr Reversal	749,938.00		1,686,903.00				2,436,841.00	2,436,841.00
Jan - April	(2,951,990.80)	(59,909.00)	(2,229,108.60)	-			(5,241,008.40)	(2,804,167.40)
May-99	189,542.30	-	467,700.00	-			657,242.30	(2,146,925.10)
Jun-99	(2,644,075.55)	-	(526,565.00)	-			(3,170,640.55)	(5,317,565.65)
Jul-99	(4,495,257.64)	(54,195.00)	(2,018,002.20)	-			(6,565,454.84)	(11,883,020.49)
Aug-99	(3,014,288.00)	-	1,734,686.20	-			(1,279,601.80)	(13,162,622.29)
Sep-99	1,486,484.16	(34,540.00)	6,289,296.40	-	(80,670.00)	-	7,670,570.56	(5,492,051.73)
Oct-99	(2,473,537.27)	-	(5,026,125.80)	-			(7,499,663.07)	(12,991,714.80)
Nov-99	(1,545,673.28)	(81,957.24)	(5,049,722.40)	(553,795.23)			(7,231,148.15)	(20,222,862.95)
Dec-99	2,068,016.23		1,745,192.00	(151,820.35)	(100,000.00)	-	3,561,387.88	(16,661,475.07)
Sub total	(12,630,841.85)	(230,601.24)	(2,913,748.40)	(705,615.58)	(180,670.00)	-	(16,661,475.07)	(16,661,475.07)
Private put premium	-	-	-	-	-	8,130,500.00	8,130,500.00	(10,530,975.07)
Pioneer 70393	-	-	-	-	-	3,396,668.36	3,396,668.36	(7,134,306.71)
YTD P&L	(12,630,841.85)	(230,601.24)	(2,913,746.40)	(705,615.58)	(180,670.00)	9,527,168.36	(7,134,306.71)	(7,134,306.71)

**Detail of Unrealized Trading Gains & Losses**  
**December 1999**

INCOME = ( )	Pioneer 70394	Pioneer 70394R	Refco 30970	S. Stone 14705	London P & L	Other P & L	Total	Running Balance
Futures	9,500.00		162,471.00	183,140.00			355,111.00	
Options			(104,400.00)	16,230.00			(88,170.00)	
	9,500.00	-	58,071.00	199,370.00	-	-	266,941.00	

**EMC CAPITAL CORP  
PIONEER ACCOUNT  
SUMMARY OF MONTHLY TRANSACTIONS  
JANUARY 1- DECEMBER 31, 1999**

**EXHIBIT A**

A/C #70394

Month	Opening Balance	(IN)/Out Wire Margin	(Inc)/Exp Interest Income	T-Bills	(IN)/Out Trans to/from 70394 reg 70395	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&L	(Inc)/Exp Net Option Premiums	(DR) CR Account Balance	(Inc)/Exp Open Trade Equity	Option Market value	Account Value
Jan-99	(1,153,887.30)				(865,000.00)		685,485.50	(559,844.00)	(1,993,075.80)	(597,008.80)		(2,290,082.60)
Feb-99	(1,893,075.80)	(228,540.00)			84,330.00		174,317.10	120,588.75	(1,540,371.85)	(730,888.40)		(2,271,070.35)
Mar-99	(1,540,371.85)	4,800,000.00				4,964.25	(1,715,364.75)	(1,355,110.00)	(5,882.48)	(545,109.00)		(550,991.45)
Apr-99	(5,882.45)	500,000.00			(59,900.00)	1,792.50	(15,898.16)	(293,310.00)	127,001.90	(181,219.60)		(34,217.70)
May-99	127,001.90	(2,850,000.00)	(11,089.55)	(488.43)		1,887.00	407,785.30	(220,110.00)	(2,345,011.78)	428,219.20		(1,918,792.58)
Jun-99	(2,345,011.78)	2,000,000.00		2,440,520.83		1,085.00	(2,177,410.55)	(487,780.00)	(548,588.50)	(1,053,817.00)		(1,802,383.50)
Jul-99	(548,588.50)	4,000,000.00			(54,204.00)	2,382.00	(970,698.84)	(3,526,920.00)	(1,088,028.14)	242,633.40		(855,394.74)
Aug-99	(1,098,028.14)	5,000,000.00				2,503.00	811,249.00	(3,828,040.00)	887,683.88	(250,116.80)		837,567.08
Sep-99	887,683.88	390,000.00			(34,540.00)		1,948,824.18	(482,340.00)	2,729,828.02	471,893.40		3,201,521.42
Oct-99	2,729,828.02	2,100,000.00			70,000.00		(567,027.27)	(1,808,510.00)	2,428,080.75	(172,088.00)		2,254,024.75
Nov-99	2,428,080.75	2,275,000.00	(11,555.98)	(1,538.48)	(151,957.24)	970.00	(162,947.32)	(1,383,895.98)	2,080,384.77	1,085,755.80		4,078,120.57
Dec-99	2,890,364.77		(59,479.17)	(1,487,195.05)			2,825,581.48	(557,995.25)	3,631,706.78	9,500.00		3,541,206.78
YTD		17,988,480.00	(82,104.70)	971,298.87	(230,801.24)	(580,870.00)	15,573.75	1,044,054.86	(14,440,408.48)			

(14,440,408.48)  
1,044,054.86  
15,573.75  
(13,380,779.85)  
prior year reversal  
1999 P&L  
(12,636,341.85) profit

A/C #70394 REG

Month	Opening Balance	(IN)/Out Wire Margin	(Inc)/Exp Interest Income	T-Bills	(IN)/Out Trans to/from 70394 reg	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&L	(Inc)/Exp Net Option Premiums	(DR) CR Account Balance	(Inc)/Exp Open Trade Equity	Option Market value	Account Value
Jan-99	-								-			-
Feb-99	-								-			-
Mar-99	-								-			-
Apr-99	-				59,900.00		(59,909.00)		(9.00)			(9.00)
May-99	(9.00)								(9.00)			(9.00)
Jun-99	(9.00)								(9.00)			(9.00)
Jul-99	(9.00)				54,204.00		(54,195.00)		-			-
Aug-99	-								-			-
Sep-99	-				34,540.00		(34,540.00)		-			-
Oct-99	-				(70,000.00)				(70,000.00)			(70,000.00)
Nov-99	(70,000.00)				151,957.24		(81,957.24)		-			-
Dec-99	-								-			-
YTD					230,801.24		(250,801.24)					

1999 P&L  
(20,001.24) profit

**EMC CAPITAL CORP  
REFCO ACCOUNT  
SUMMARY OF MONTHLY TRANSACTIONS  
JANUARY 1 - DECEMBER 31, 1999**

**EXHIBIT A**

<i>Month</i>	<i>Opening Balance</i>	<i>(Inc)/Exp Interest Income</i>	<i>(IN)/Out Wires Margin</i>	<i>(Inc)/Exp Transaction Fees</i>	<i>(Inc)/Exp Future/Options P&amp;S</i>	<i>(IN)/Out Net Option Premiums</i>	<i>Account Balance</i>	<i>Open trade Equity</i>	<i>Option Market value</i>	<i>Net Liquidity</i>
Jan-99	818,083.02	(2,316.59)	372,000.00		(249,708.20)	-	938,058.23	(1,357,995.80)		(419,937.57)
Feb-99	938,058.23	(2,238.30)	(130,000.00)		(784,083.20)		21,736.73	(348,979.60)		(327,242.87)
Mar-99	21,736.73	(868.55)	500,000.00	12,498.00	(1,376,903.60)	-	(843,539.42)	401,180.80		(442,358.62)
Apr-99	(843,539.42)	(1,779.16)	-	13,940.00	298,150.40	(143,000.00)	(676,228.18)	190,243.20		(485,984.98)
May-99	(676,228.18)	(1,273.37)	(600,000.00)	28,012.00	381,608.00	58,080.00	(809,801.55)	100,282.40		(709,519.15)
Jun-99	(809,801.55)	(2,286.08)	(400,000.00)	24,596.00	(521,121.00)	(30,040.00)	(1,738,652.63)	(302,879.20)		(2,041,531.83)
Jul-99	(1,738,652.63)	(2,972.16)	(330,000.00)	91,444.00	(956,871.20)	(1,150,575.00)	(4,087,628.99)	(123,956.40)		(4,211,583.39)
Aug-99	(4,087,626.99)	(9,020.99)	-	61,088.00	1,281,923.20	391,675.00	(2,361,961.78)	(2,714,704.20)		(5,076,665.98)
Sep-99	(2,361,961.78)	(16,386.32)	(4,612,567.65)	70,452.00	5,910,644.40	318,200.00	(691,619.35)	(5,464,254.40)		(6,155,873.75)
Oct-99	(691,619.35)	(15,694.22)	981,536.13	81,464.00	(4,562,684.80)	(544,905.00)	(4,751,903.24)	(1,864,634.60)		(6,616,537.84)
Nov-99	(4,751,903.24)	(20,295.99)	7,250,000.00		(3,830,622.40)	(1,219,100.00)	(2,571,921.63)	1,290,579.80		(1,281,341.83)
Dec-99	(2,571,921.63)	(21,268.72)	-		1,805,792.00	(60,600.00)	(847,898.35)	162,471.00	45,200.00	(640,327.35)
YTD		(96,400.45)	3,030,968.48	383,492.00	(2,603,876.40)	(2,380,265.00)	(18,421,458.16)	(10,032,647.00)		

prior year reversal  
1999 P&L

(2,603,876.40)  
(2,380,265.00)  
383,492.00  
(4,600,649.40)  
1,688,903.00  
(2,913,746.40)

**EMC CAPITAL CORP  
S. STONE ACCOUNT  
SUMMARY OF MONTHLY TRANSACTIONS  
JANUARY 1 - DECEMBER 31, 1999**

**EXHIBIT A**

Saul Stone  
A/C 14605 14705

Month	Opening Balance	(Inc)/Exp Interest Income	(IN)/Out Wires Margin	Transaction Fees	(Inc)/Exp Future/Options P&S	(IN)/Out Net Option Premiums	Account Balance	Open trade Equity	Option Market value	Net Liquidity
Jan-99	-						-			-
Feb-99	-						-			-
Mar-99	-						-			-
Apr-99	-						-			-
May-99	-						-			-
Jun-99	-						-			-
Jul-99	-						-			-
Aug-99	-						-			-
Sep-99	-						-			-
Oct-99	-						-			-
Nov-99	-		(500,000.00)		180,929.77	(734,725.00)	(1,053,795.23)			(1,053,795.23)
Dec-99	(1,053,795.23)	(1,314.50)	(400,000.00)		1,123,914.51	(1,275,734.86)	(1,606,930.08)	183,140.00	244,500.00	(1,179,290.08)
YTD		(1,314.50)	(900,000.00)	-	1,304,844.28	(2,010,459.86)				

	1,304,844.28
	(2,010,459.86)
<b>1999 P&amp;L</b>	<b><u>(705,615.58)</u></b>





Form **1120** Department of the Treasury Internal Revenue Service **U.S. Corporation Income Tax Return 1999**

Instructions are separate. See instructions for Paperwork Reduction Act Notice.

IRS use only — Do not write or staple in this space.

For calendar year 1999 or tax year beginning , 1999, ending OMB No. 1545-0123

<b>A Check if a:</b> 1 Consolidated return (attach Form 851) <input checked="" type="checkbox"/> <b>Use IRS label. Otherwise, please print or type.</b> 2 Personal holding company (attach Schedule PH) <input type="checkbox"/> 3 Personal service corp (as defined in Temp Regs Section 1.441-4T — see instructions) <input type="checkbox"/>		<b>Name</b> <b>ENERGY MERCHANT CORPORATION</b> <b>Number, Street, and Room or Suite Number (if a P.O. box, see instructions.)</b> <b>126 EAST 56TH STREET, 33 FLOOR</b> <b>City or Town</b> <b>State</b> <b>ZIP Code</b> <b>NEW YORK</b> <b>NY</b> <b>10022</b>	<b>B Employer Identification Number</b> <b>13-3855623</b> <b>C Date Incorporated</b> <b>06/15/95</b> <b>D Total Assets (see instructions)</b> <b>\$ 26,816,598.</b>
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**E Check applicable boxes:** (1) ☐ Initial return (2) ☐ Final return (3) ☒ Change of address

<b>INCOME</b>	1 a Gross receipts or sales	b Less returns & allowances	c Balance	1 c
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Dividends (Schedule C, line 19)			4 3,900.
	5 Interest			5 1,225,142.
	6 Gross rents			6
	7 Gross royalties			7
	8 Capital gain net income (attach Schedule D (Form 1120))			8 6,056,690.
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9
	10 Other income (see instructions — attach schedule) See Other Income Statement			10 3,144,332.
	11 Total income. Add lines 3 through 10			11 10,430,064.
<b>DEDUCTIONS FOR LIMITATIONS SEE INSTRUCTIONS</b>	12 Compensation of officers (Schedule E, line 4)			12 2,213,710.
	13 Salaries and wages (less employment credits)			13 399,527.
	14 Repairs and maintenance			14 1,592.
	15 Bad debts			15
	16 Rents			16 374,340.
	17 Taxes and licenses			17 948,864.
	18 Interest			18 265,937.
	19 Charitable contributions (see instructions for 10% limitation)			19 1,500.
	20 Depreciation (attach Form 4562)	20 8,039.		
	21 Less depreciation claimed on Schedule A and elsewhere on return	21 a		21 b 8,039.
	22 Depletion			22
	23 Advertising			23 10,175.
	24 Pension, profit-sharing, etc. plans			24
	25 Employee benefit programs			25 52,336.
	26 Other deductions (attach schedule) See Other Deductions Statement			26 1,652,208.
	27 Total deductions. Add lines 12 through 26			27 5,928,228.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 4,501,836.
	29 Less: a Net operating loss (NOL) deduction (see instructions)	29 a 34,255.		
b Special deductions (Schedule C, line 20)	29 b 2,730.		29 c 36,985.	
<b>TAX AND PAYMENTS</b>	30 Taxable income. Subtract line 29c from line 28			30 4,464,851.
	31 Total tax (Schedule J, line 12)			31 1,213,339.
	32 Payments: a 1998 overpayment credited to 1999	32 a 395,290.		
	b 1999 estimated tax payments	32 b		
	c Less 1999 refund applied for on Form 4466	32 c		
	d Balance	32 d 395,290.		
	e Tax deposited with Form 7004	32 e 1,465,000.		
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32 f		
	g Credit for federal tax on fuels (attach Form 4136). See instructions	32 g		
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached		<input checked="" type="checkbox"/>	33
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35 648,128.	
36 Enter amount of line 35 you want credited to 2000 estimated tax		648,128. Refunded	36	

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature of officer	Date	Title
<b>Paid Preparer's Use Only</b>	Preparer's Signature	Date	Check if self-employed <input type="checkbox"/>
	Firm's Name (or yours if self-employed) and Address	Preparer's SSN or PTIN	Preparer's EIN
			ZIP Code

# Application for Automatic Extension of Time To File Corporation Income Tax Return

OMB No. 1545-0233

Name of corporation Employer identification number

ENERGY MERCHANT CORPORATION

13-3855623

Number, street, and room or suite no. (If a P.O. box or outside the United States, see instructions.)

445 PARK AVENUE

City or town, state, and ZIP code

NEW YORK, NY 10022

Check type of return to be filed:

- ☒ Form 1120 ☐ Form 1120-FSC ☐ Form 1120-ND ☐ Form 1120-REIT ☐ Form 1120-SF  
☐ Form 1120-A ☐ Form 1120-H ☐ Form 1120-PC ☐ Form 1120-RIC  
☐ Form 1120-F ☐ Form 1120-L ☐ Form 1120-POL ☐ Form 1120S  
☐ Form 990-C ☐ Form 990-T
- Note: Other 990 filers (i.e., Form 990, 990-EZ, 990-BL, 990-PF, and certain filers of Form 990-T (see instructions)) must use Form 2758 to request an extension of time to file.

Form 1120-F filers: Check here if you do not have an office or place of business in the United States ☐

- 1a I request an automatic 6-month (or, for certain foreign corporations, 3-month) extension of time until SEPTEMBER 15, 2000 to file the income tax return of the corporation named above for ☒ calendar year 1999 or ☐ tax year beginning \_\_\_\_\_, \_\_\_\_\_, and ending \_\_\_\_\_.
- b If this tax year is for less than 12 months, check reason:  
☐ Initial return ☐ Final return ☐ Change in accounting period ☐ Consolidated return to be filed

2 If this application also covers subsidiaries to be included in a consolidated return, complete the following:

Name and address of each member of the affiliated group	Employer identification number	Tax period
SEE STATEMENT 1		
CLIENT'S COPY		

3	Tentative tax	3	1,860,290.
4	Credits:		
a	Overpayment credited from prior year	4a	395,290.
b	Estimated tax payments for the tax year	4b	
c	Less refund for the tax year applied for on Form 4466	4c	
		4d	395,290.
e	Credit for tax paid on undistributed capital gains (Form 2439)	4e	
f	Credit for Federal tax on fuels (Form 4136)	4f	
5	Total. Add lines 4d through 4f	5	395,290.
6	Balance due. Subtract line 5 from line 3. Deposit this amount electronically or with a Federal Tax Deposit (FTD) Coupon	6	1,465,000.

Signature. Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, and to the best of my knowledge and belief, the statements made are true, correct, and complete.

(Signature of officer or agent)

(Title)

(Date)

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1
2	Purchases	2
3	Cost of labor	3
4	Additional Section 263A costs (attach schedule)	4
5	Other costs (attach schedule)	5
6	Total. Add lines 1 through 5	6
7	Inventory at end of year	7
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 2, page 1	8

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations Section 1.471-3  
(ii) ☒ Lower of cost or market as described in Regulations Section 1.471-4  
(iii) ☐ Other (specify method used and attach explanation)

b Check if there was a writedown of subnormal goods as described in Regulations Section 1.471-2(c) ☐c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** ☐e If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation? ☐ Yes ☒ Nof Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☒ No**Schedule C Dividends and Special Deductions** (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	2,730.
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (Section 246A)		
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (Section 245(b))	100	
9	Total. Add lines 1 through 8. See instructions for limitation		2,730.
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (Sec 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% ded (Section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (Section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (Section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1	3,900.	
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1		2,730.

**Schedule E Compensation of Officers** (see instructions for line 12, page 1)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	SIEGFRIED HODAPP	106-52-9250	100.0%	75.0%	0.0%	1,042,317.
	MICHAEL CORNISH	101-58-5760	100.0%	0.0%	0.0%	750,016.
	VINCENT PAPA	070-38-3201	100.0%	1.0%	0.0%	285,769.
	ROBERT WENOM	500-46-1850	100.0%	2.0%	0.0%	135,608.
	See Officers' Compensation		%	%	%	0.
2	Total compensation of officers					2,213,710.
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1					2,213,710.

**Schedule D Tax Computation** (see instructions)

1 Check if the corporation is a member of a controlled group (see Sections 1561 and 1563) <input checked="" type="checkbox"/>		
Important: Members of a controlled group, see instructions.		
2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):		
(1) \$ 50,000.	(2) \$ 25,000.	(3) \$ 9,925,000.
b Enter the corporation's share of:		
(1) Additional 5% tax (not more than \$11,750) .....		\$ 11,750.
(2) Additional 3% tax (not more than \$100,000) .....		\$
3 Income tax. Check if a qualified personal service corporation under Section 448(d)(2) (see instructions) <input type="checkbox"/>		3 1,518,049.
4a Foreign tax credit (attach Form 1118) .....		4a
b Possessions tax credit (attach Form 5735) .....		4b
c Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEY credit (attach Form 8834) .....		4c
d General business credit. Enter here and check which forms are attached:		4d
<input type="checkbox"/> 3458 <input type="checkbox"/> 5884 <input type="checkbox"/> 6478 <input type="checkbox"/> 6765 <input type="checkbox"/> 8586 <input type="checkbox"/> 8830 <input type="checkbox"/> 8826		
<input type="checkbox"/> 8835 <input type="checkbox"/> 8844 <input type="checkbox"/> 8845 <input type="checkbox"/> 8846 <input type="checkbox"/> 8820 <input type="checkbox"/> 8847 <input type="checkbox"/> 8861		
e Credit for prior year minimum tax (attach Form 8827) .....		4e 304,710.
5 Total credits. Add lines 4a through 4e .....		5 304,710.
6 Subtract line 5 from line 3 .....		6 1,213,339.
7 Personal holding company tax (attach Schedule PH (Form 1120)) .....		7
8 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 .....		8
9 Alternative minimum tax (attach Form 4626) .....		9
10 Add lines 6 through 9 .....		10 1,213,339.
11 Qualified zone academy bond credit (attach Form 8860) .....		11
12 Total tax. Subtract line 11 from line 10. Enter here and on line 31, page 1 .....		12 1,213,339.

**Schedule K Other Information** (see instructions)

1 Check method of accounting: a <input type="checkbox"/> Cash		Yes	No	7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See Sections 951 and 957.) .....		Yes	No
b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶				If 'Yes,' attach Form 5471 for each such corporation.			
2 See the instructions and enter the:				Enter no. of Forms 5471 attached ▶			
a Business activity code no. ▶ 541990				8 At any time during the 1999 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? .....			X
b Business activity ▶ MANAGEMENT				If 'Yes,' the corporation may have to file Form TD F 90-22.1.			
c Product or service ▶ ADVISORY SERVICES				If 'Yes,' enter name of foreign country ▶			
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see Section 267(c).) .....		X		9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the corporation may have to file Form 3520 .....			X
If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. See Ques 3 Stmt				10 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? .....			X
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? .....			X	If 'Yes,'			
If 'Yes,' enter name and EIN of the parent corporation				a Enter percentage owned. ▶			
5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).) .....		X		b Enter owner's country ▶			
If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)				c The corporation may have to file Form 5472. Enter number of Forms 5472 attached ▶			
Enter % owned ▶ 75.00 See Ques 5 Stmt				11 Check this box if the corporation issued publicly offered debt instruments with original issue discount. .... <input type="checkbox"/>			
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See Sections 301 and 316.) .....			X	If checked, the corporation may have to file Form 8281.			
If 'Yes,' file Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.				12 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ 0.			
				13 If there were 75 or fewer shareholders at the end of the tax year, enter the number ▶ 5			
				14 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ..... <input type="checkbox"/>			
				15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ 34,255.			

**Schedule L Balance Sheets per Books**

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
1 Cash .....		267,767.		212,554.
2a Trade notes and accounts receivable .....	0.		0.	
b Less allowance for bad debts .....		0.		0.
3 Inventories .....		0.		0.
4 U.S. government obligations .....				
5 Tax-exempt securities (see instructions) .....				
6 Other current assets (attach schedule) ...Ln. 6. Stmt		1,019,636.		1,611,669.
7 Loans to shareholders .....		212,461.		0.
8 Mortgage and real estate loans .....				
9 Other investments (attach schedule) ...Ln. 9. Stmt		10,848,134.		12,896,650.
10a Buildings and other depreciable assets .....	12,303.		59,585.	
b Less accumulated depreciation .....	410.	11,893.	14,704.	44,881.
11a Depletable assets .....				
b Less accumulated depletion .....				
12 Land (net of any amortization) .....				
13a Intangible assets (amortizable only) .....				
b Less accumulated amortization .....				
14 Other assets (attach schedule) ...Ln. 14. Stmt		10,000,000.		12,050,844.
15 Total assets .....		22,359,891.		26,816,598.
<b>Liabilities and Shareholders' Equity</b>				
16 Accounts payable .....		4,792,742.		3,453,293.
17 Mortgages, notes, bonds payable in less than 1 year .....		0.		0.
18 Other current liabilities (attach sch) ...Ln. 18. Stmt		1,978,825.		3,710,118.
19 Loans from shareholders .....		50,000.		36,000.
20 Mortgages, notes, bonds payable in 1 year or more .....				
21 Other liabilities (attach schedule) ...Ln. 21. Stmt		18,171,154.		18,918,854.
22 Capital stock: a Preferred stock .....				
b Common stock .....	3,350,000.	3,350,000.	3,350,000.	3,350,000.
23 Additional paid-in capital .....				
24 Retained earnings — Approp .....				
25 Retained earnings — Unappropriated .....		-5,982,830.		-2,651,667.
26 Adjustments to shareholders' equity .....				
27 Less cost of treasury stock .....				
28 Total liabilities and shareholders' equity .....		22,359,891.		26,816,598.

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)**

1 Net income (loss) per books .....	3,331,163.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax .....	1,213,339.	Tax-exempt interest \$ .....	0.
3 Excess of capital losses over capital gains .....		See Ln 7 Stmt .....	491,104.
4 Income subject to tax not recorded on books this year (itemize):			491,104.
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation .....	\$ 6,255.	a Depreciation .....	\$
b Contributions carryover .....	\$	b Contribn carryover .....	\$
c Travel & entertainment .....	\$ 53,100.		
See Ln 5 Stmt .....	389,083.		
	448,438.	9 Add lines 7 and 8 .....	491,104.
6 Add lines 1 through 5 .....	4,992,940.	10 Income (line 28, page 1) — line 6 less line 9 .....	4,501,836.

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1 Balance at beginning of year .....	-5,982,830.	5 Distributions .....	a Cash .....
2 Net income (loss) per books .....	3,331,163.	b Stock .....	c Property .....
3 Other increases (itemize):		6 Other decreases (itemize):	
4 Add lines 1, 2, and 3 .....	-2,651,667.	7 Add lines 5 and 6 .....	
		8 Balance at end of year (line 4 less line 7) .....	-2,651,667.

Form 1120, Page 4, Schedule L, Line 9  
Ln 9 Stmt

Other Investments:	Beginning of tax year	End of tax year
ADVEST	7,586,548.	10,219,776.
REFCO	868,820.	847,998.
PIONEER	2,392,766.	221,946.
SAUL STONE	0.	1,606,930.
Total	<u>10,848,134.</u>	<u>12,896,650.</u>

Form 1120, Page 4, Schedule L, Line 14  
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
ENERGY MERCHANT LLC	10,000,000.	10,146,377.
CAPITAL INVESTMENTS	0.	1,809,467.
DEPOSITS	0.	95,000.
Total	<u>10,000,000.</u>	<u>12,050,844.</u>

Form 1120, Page 4, Schedule L, Line 18  
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
ACCRUED EXPENSES	1,778,825.	1,412,258.
DEFERRED GAINS & LOSSES	0.	644,811.
INCOME TAXES PAYABLE	200,000.	1,653,049.
Total	<u>1,978,825.</u>	<u>3,710,118.</u>

Form 1120, Page 4, Schedule L, Line 21  
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
EHL CAPITAL LOANS	6,883,984.	7,781,684.
POC ACCRUED LIABILITIES	8,487,170.	8,487,170.
	0.	0.
DEFERRED TAXES	2,800,000.	2,650,000.
Total	<u>18,171,154.</u>	<u>18,918,854.</u>

C



**ENERGY MERCHANT LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2001 AND 2000**

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## INDEPENDENT AUDITORS' REPORT

Members  
Energy Merchant LLC

We have audited the accompanying balance sheets of Energy Merchant LLC as of December 31, 2001 and 2000, and the related statements of operations, members' capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Merchant LLC as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

January 18, 2002  
Baltimore, Maryland

Certified Public Accountants and Consultants

2001&2000.doc

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**ENERGY MERCHANT LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2001 AND 2000**

**ASSETS**

	<u><b>2001</b></u>	<u><b>2000</b></u>
<u><b>CURRENT ASSETS</b></u>		
Cash and cash equivalents	\$ 7,008,152	\$ 2,806,950
Accounts receivable	6,783,255	5,967,914
Marketable securities	11,712,255	8,094,728
Futures and future options contracts	1,169,299	6,394,060
Open purchase and sale commitments	3,807,532	825,728
Miscellaneous receivables and prepaid expenses	32,803	1,548,815
Due from Energy Merchant Corp.	334,663	284,666
Inventory	<u>40,148,066</u>	<u>48,952,963</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>70,996,025</b></u>	<u><b>74,875,824</b></u>
<u><b>FIXED ASSETS</b></u>		
Office equipment	64,318	33,034
Less: Accumulated depreciation	<u>(12,098)</u>	<u>(4,156)</u>
<b>FIXED ASSETS - NET</b>	<u><b>52,220</b></u>	<u><b>28,878</b></u>
<u><b>OTHER ASSETS</b></u>		
Software - net	167,996	146,853
Note receivable	<u>10,000,000</u>	<u>3,400,000</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>10,167,996</b></u>	<u><b>3,546,853</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$81,216,241</b></u>	<u><b>\$78,451,555</b></u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT LLC  
BALANCE SHEETS  
DECEMBER 31, 2001 AND 2000**

**LIABILITIES AND MEMBERS' CAPITAL**

	<b><u>2001</u></b>	<b><u>2000</u></b>
<b><u>CURRENT LIABILITIES</u></b>		
Line of credit	\$33,800,000	\$47,000,000
Margin borrowings	425,598	1,048,834
Product sold under agreement to repurchase	18,202,474	8,835,750
Accounts payable	217,448	766,846
Accrued expenses and other current liabilities	<u>4,293,124</u>	<u>1,256,795</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>56,938,644</b>	<b>58,908,225</b>
 <b><u>LONG-TERM LIABILITIES</u></b>		
Note payable	<u>10,000,000</u>	<u>10,000,000</u>
<b>TOTAL LIABILITIES</b>	<b>66,938,644</b>	<b>68,908,225</b>
 <b><u>MEMBERS' CAPITAL</u></b>	 <u>14,277,597</u>	 <u>9,543,330</u>
 <b>TOTAL LIABILITIES AND MEMBERS' CAPITAL</b>	 <b><u>\$81,216,241</u></b>	 <b><u>\$78,451,555</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT LLC**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>PRODUCT SALES</u></b>	\$175,885,923	\$67,660,549
<b><u>COST OF SALES</u></b>	<u>170,753,268</u>	<u>70,910,897</u>
GROSS INCOME (LOSS)	5,132,655	(3,250,348)
<b><u>OPERATING EXPENSES</u></b>	<u>4,167,391</u>	<u>3,346,626</u>
INCOME (LOSS) FROM OPERATIONS	<u>965,264</u>	<u>(6,596,974)</u>
<b><u>OTHER INCOME (EXPENSES)</u></b>		
Investment income	792,512	772,296
Interest expense and credit facility fees	(3,632,720)	(2,374,631)
Gain (loss) on marketable securities	9,211	(754,221)
Gain on note receivable	<u>6,600,000</u>	<u>-0-</u>
TOTAL OTHER INCOME (EXPENSES)	<u>3,769,003</u>	<u>(2,356,556)</u>
NET INCOME (LOSS)	<u>\$ 4,734,267</u>	<u>\$(8,953,530)</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT LLC**  
**STATEMENTS OF MEMBERS' CAPITAL**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Members' capital - beginning	\$ 9,543,330	\$10,146,377
Capital contributions	-0-	8,350,483
Net income (loss)	<u>4,734,267</u>	<u>(8,953,530)</u>
<b>MEMBERS' CAPITAL - ENDING</b>	<b><u>\$14,277,697</u></b>	<b><u>\$ 9,543,330</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net income (loss)	\$ 4,734,267	\$(8,953,530)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Gain) loss on marketable securities	(9,211)	754,221
Depreciation and amortization	87,955	12,640
Gain on Stratus note receivable	(6,600,000)	-0-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(815,341)	(5,747,447)
(Increase) decrease in futures and futures options contracts	5,224,761	(6,394,060)
(Increase) in open purchase and sale commitments	(2,981,804)	(825,728)
(Increase) decrease in miscellaneous receivables and prepaid expenses	1,516,012	(1,544,339)
(Increase) decrease in due from Energy Merchant Corp.	(49,997)	7,497,018
(Increase) decrease in inventory	8,804,897	(48,952,963)
Increase (decrease) in accounts payable	(549,398)	708,704
Increase in accrued expenses and other current liabilities	<u>3,036,329</u>	<u>1,165,157</u>
Total Adjustments	<u>7,664,203</u>	<u>(53,326,797)</u>
Net Cash Provided by (Used in) Operating Activities	<u>12,398,470</u>	<u>(62,280,327)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of fixed assets	(31,284)	(28,055)
Purchases of software	(101,156)	(155,420)
Purchase of marketable securities	(21,833,290)	(14,026,529)
Proceeds from sale of marketable securities	<u>18,224,974</u>	<u>13,767,225</u>
Net Cash Used in Investing Activities	(3,740,756)	(442,779)

The Accompanying Notes are an Integral Part of the Financial Statements



**ENERGY MERCHANT LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Net activity in line of credit	(13,200,000)	55,300,000
Net activity on margin borrowings	(623,236)	1,048,834
Product sold under agreement to repurchase	<u>9,366,724</u>	<u>8,835,750</u>
Net Cash Provided by (Used in) Financing Activities	<u>(4,456,512)</u>	<u>65,184,584</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,201,202	2,461,478
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,806,950</u>	<u>345,472</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,008,152</u>	<u>\$ 2,806,950</u>

Supplemental schedule of non-cash investing and financing activities:

Capital contribution made by transferring marketable securities to Company	\$ -0-	\$8,350,483
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Supplemental disclosures of cash flow information:

Interest paid	3,968,365	1,457,337
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The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Energy Merchant LLC (the Company) is a limited liability company that was organized in May 1998 and began operations in December 1998. The limited liability company agreement provides for dissolution of the Company no later than January 1, 2023. The Company is 99% owned by Energy Merchant Holding, Inc.

The Company is engaged in providing price protection programs and the merchandising of petroleum products, predominantly heating oil, diesel fuel and gasoline. Sales to customers are made under contracts of various durations dependent on market conditions at the time the contracts are procured. Forward contracts may be priced either on a fixed or floating basis with the actual price based on market prices for the specific location, futures prices for the specific product with or without a differential, or an index price based on a combination of the above.

Cash and Cash Equivalents

For purposes of financial statement presentation, the Company considers all highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents. Included in cash equivalents are margin deposits required by futures brokers.

Accounts Receivable

Accounts receivable are deemed fully collectible by management. Therefore, no allowance for doubtful accounts has been recorded.

Marketable Securities

Marketable securities are classified as "available for sale" and accordingly, are recorded at fair value. Unrealized gains and losses are recorded directly to earnings. Since such unrealized gains and losses are not material, they have not been reflected as accumulated other comprehensive income.

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Futures and Futures Options Contracts

The Company uses futures contracts and futures options contracts in crude oil, heating oil and gasoline to hedge the effect of market fluctuations on its inventory and open purchase and sale commitments.

An important aspect of the Company's profitability relates to the successful management of the basis between physical and futures contracts for petroleum products. As a result, the Company uses futures contracts and options on futures contracts in crude oil, heating oil and gasoline to hedge the effect of market price fluctuations on its inventory and open purchase and sales commitments. These commitments arise as a result of the Company's different strategies to hedge its customers' exposure to adverse price movements in their respective markets. The hedges may be with respect to product held in tank or may anticipate the purchase of physical product that will be delivered in the future.

The Company accounts for its futures contracts as fair value hedges in accordance with Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," and, as such, all futures contracts are recognized at fair value as either assets or liabilities in the balance sheet, and the gain or loss is recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item (that is, inventory and open commitments) attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. It is not practicable to determine the net gain or loss recognized in earnings during the year representing the amount of the hedges' ineffectiveness. The fair value is based upon the daily settlement price as quoted by the New York Mercantile Exchange (NYMEX).

Open Purchase and Sale Commitments

Open purchase and sales commitments are reported at fair value. Fair value is determined based upon differences between the contracted purchase or sale price and the estimated market price of the product, as adjusted for delivery date.

Inventory

Inventory consists of petroleum products and is stated at fair value, which is the low market price for the location of the inventory.

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fixed Assets and Depreciation

Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over the estimated useful lives of the assets.

Depreciation expense for the years ended December 31, 2001 and 2000 amounted to \$7,942 and \$4,073, respectively.

Software

Software is recorded at cost and is amortized using the straight-line method over its estimated useful life. Amortization expense for the years ended December 31, 2001 and 2000 amounted to \$80,013 and \$8,567, respectively.

Income Taxes

The Company is a limited liability company. As such, federal and most state tax liabilities flow through to the members. Several states require the payment of taxes based on income or other criteria.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 2: MARKETABLE SECURITIES**

Cost and fair value of marketable securities are as follows at December 31, 2001:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
U.S. Government Obligations	\$11,621,192	\$ -0-	\$11,621,192
Corporate Bonds	<u>91,799</u>	<u>(736)</u>	<u>91,063</u>
Total	<u>\$11,712,991</u>	<u>\$ (736)</u>	<u>\$11,712,255</u>

Cost and fair value of marketable securities were as follows at December 31, 2000:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
U.S. Government Obligations	\$ 250,000	\$ -0-	\$ 250,000
Corporate Bonds	<u>7,829,549</u>	<u>15,179</u>	<u>7,844,728</u>
Total	<u>\$8,079,549</u>	<u>\$ 15,179</u>	<u>\$8,094,728</u>

At December 31, investments in debt securities mature as follows:

	<u>2001</u>	<u>2000</u>
Within 1 year	\$11,621,192	\$ 250,000
1 - 5 years	-0-	-0-
5 - 10 years	-0-	1,934,820
After 10 years	<u>91,063</u>	<u>5,909,908</u>
	<u>\$11,712,255</u>	<u>\$8,094,728</u>

Realized gains and losses are determined on the basis of specific identification. Sales proceeds and gross realized gains and losses on securities classified as available for sale were:

	<u>2001</u>	<u>2000</u>
Sales proceeds	<u>\$18,224,974</u>	<u>\$13,767,225</u>
Gross realized gains	<u>\$ 158,425</u>	<u>\$ -0-</u>
Gross realized losses	<u>\$ 148,478</u>	<u>\$ 769,400</u>

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 3: NOTE RECEIVABLE**

In October 1999, the Company purchased from Chase Manhattan Bank and ING (US) Capital LLC a note issued by Stratus Petroleum Corporation (Stratus). The note was purchased for \$3,400,000 and has a principal balance of \$26,586,527. The note is secured by Stratus' petroleum products terminals located in Newark, NJ and Baltimore, MD. These terminals have a combined shell capacity of approximately 2.4 million barrels.

On the basis of an offer received to acquire a significant but not controlling interest in the underlying assets of Stratus securing the note, Management believes that the amount collectible under the note is substantially in excess of the amount paid to acquire it in 1999, and has revalued the note to \$10,000,000 during the year ended December 31, 2001. Notwithstanding the closing of the contemplated sale, Management does not expect to collect any further amounts under the note before 2005. The amount calculated to be collectible under the note is based on a discount to this offer and a third party survey.

At the time the Company purchased the Stratus note, an affiliate of the Company purchased 50% of the common stock of Stratus. Under the terms of the stock purchase agreement, no principal or interest payments are due under the note for a period of six years from the date the Stratus note was purchased. Therefore the Company does not record any interest income from the note.

Additionally, the Company entered into a management agreement in October 1999, whereby the Company or a permitted designee shall be responsible for the duties and services relating to the conduct of Stratus' petroleum business, including, but not limited to, various administrative, management and marketing functions. The agreement runs through December 31, 2005, unless terminated earlier as outlined in the agreement. Under the terms of the agreement, there is a provision for a management fee to be paid to the Company based upon a formula outlined in the agreement. No management fee is due the Company at December 31, 2001 and 2000.

**NOTE 4: LINE OF CREDIT**

The Company has a demand line of credit with a group of three banks. The maximum amount available under the line is \$60,000,000. Advances under the line bear interest at the prime rate plus 0.25%, are secured by all assets of the Company and are limited to the "borrowing base" (specified percentages of certain assets, as defined, less debt of the Company). Interest payments are due monthly. Outstanding borrowings under the line were \$33,800,000 and \$47,000,000 at December 31, 2001 and 2000, respectively. The line contains certain financial covenants, all of which have been satisfied by the Company at December 31, 2001 and 2000.

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 5: PRODUCT SOLD UNDER AGREEMENT TO REPURCHASE**

The Company has entered into agreements whereby it sold petroleum product in November 2001 and December 2000 and agreed to repurchase such product in January 2002 and 2001, respectively. Such agreement has been accounted for as a secured financing arrangement and is reflected as a liability in the accompanying balance sheets. In addition, the Company has granted to the purchaser a security interest in a brokerage account. This brokerage account had a balance (cash and futures contracts combined) of \$3,735,515 and \$673,000 at December 31, 2001 and 2000, respectively. Interest expense on this agreement was approximately \$554,000 and \$80,000 for the years ended December 31, 2001 and 2000, respectively.

**NOTE 6: NOTE PAYABLE**

In October 1999, the Company entered into an agreement and issued \$10,000,000 in a subordinated note to Power & Energy Capital Group, Inc., (Power & Energy), an unrelated corporation. This note payable matures in 10 years, requires quarterly interest payments equal to the "net profit share", as defined in the agreement, and is secured by all assets of the Company. However, if at the maturity date of the note the Company's aggregate cumulative losses (without deducting any quarterly payments) exceed the amount contributed by Energy Merchant Corp., then the principal amount of the note shall be reduced by 25% of such loss in excess of Energy Merchant Corp.'s capital. In addition, a warrant to purchase a 50% interest in the Company was issued to Power & Energy. The exercise price of this warrant is equal to the lesser of (a) \$10,000,000 and (b) the aggregate amount of capital contributions made by Energy Merchant Corp. to the Company on or after the date hereof and prior to the exercise of this warrant, less the amount of any capital paid out by the Company to Energy Merchant Corp. The warrant may be exercised in part or full at any time prior to August 31, 2004. Upon exercise of the warrant, Power & Energy shall be deemed to have paid to the Company an amount of the full exercise price equal to the balance of the note payable then outstanding. Operating expenses include one quarterly "net profit share" payment of approximately \$140,000 in 2001. There was no "net profit share" payable at December 31, 2001 and 2000.

**NOTE 7: CONCENTRATIONS**

The Company maintains cash and cash equivalents in accounts at several banks, brokerage houses and futures brokers. Amounts insured by Federal Deposit Insurance Corporation were \$191,200 and \$100,000 at December 31, 2001 and 2000, respectively.

**ENERGY MERCHANT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 8: OTHER RELATED PARTY TRANSACTIONS**

The Company paid fees for thruput and storage to Stratus of approximately \$1,317,000 and \$299,000 for the years ended December 31, 2001 and 2000.

The Company has a receivable from Energy Merchant Corp. in the amount of \$334,663 and \$284,666 at December 31, 2001 and 2000, respectively. This receivable bears no interest and has no specific repayment terms. Energy Merchant Corp. is the sole owner of Energy Merchant Holding, Inc., which is the 99% owner of the Company.

The Company's office facilities are owned by a member of management. No rent is charged for the use of the facilities.

**NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheets for the Company's financial instruments approximate their fair values, except that it is not practicable to estimate fair value the note payable to Power & Energy Capital Group, Inc., due to the unique terms of the note as previously described.

**NOTE 10: CONTINGENCIES**

The Company has guaranteed the payment of certain trade obligations with letters of credit, approximating \$1,260,400 and \$3,250,000 at December 31, 2001 and 2000, respectively, issued by its banks in favor of those vendors.



**ENERGY MERCHANT, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

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## INDEPENDENT AUDITORS' REPORT

Members  
Energy Merchant, LLC

We have audited the accompanying balance sheets of Energy Merchant, LLC as of December 31, 2002 and 2001, and the related statements of operations, members' capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Merchant, LLC as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the note receivable from Stratus Petroleum Corporation was overstated at December 31, 2002 and 2001. Accordingly, the 2002 and 2001 financial statements have been restated to correct the error.

January 17, 2003, except for Note 12, as to which the date is June 15, 2004  
Baltimore, Maryland

**ENERGY MERCHANT, LLC  
BALANCE SHEETS  
DECEMBER 31, 2002 AND 2001**

**ASSETS**

	<b><u>2002</u></b>	<b><u>2001</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 9,092,825	\$ 7,008,152
Accounts receivable	13,792,527	6,783,255
Marketable securities	1,250,000	11,712,255
Futures contracts	0	1,169,299
Open purchase and sale commitments	2,351,092	3,807,532
Miscellaneous receivables and prepaid expenses	1,854,713	32,803
Due from affiliates	975,000	334,663
Inventory	<u>41,420,476</u>	<u>40,148,066</u>
 TOTAL CURRENT ASSETS	 <u>70,736,633</u>	 <u>70,996,025</u>
 <b><u>FIXED ASSETS</u></b>		
TOTAL FIXED ASSETS - NET	<u>49,743</u>	<u>52,220</u>
 <b><u>OTHER ASSETS</u></b>		
Software - net	82,470	167,996
Note receivable	<u>450,000</u>	<u>3,400,000</u>
 TOTAL OTHER ASSETS	 <u>532,470</u>	 <u>3,567,996</u>
 TOTAL ASSETS	 <u>\$ 71,318,846</u>	 <u>\$ 74,616,241</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**LIABILITIES AND MEMBERS' CAPITAL**

**LIABILITIES**

	<b><u>2002</u></b>	<b><u>2001</u></b>
<b><u>CURRENT LIABILITIES</u></b>		
Line of credit	\$ 47,000,000	\$ 33,800,000
Margin borrowings	0	425,598
Product sold under agreement to repurchase	0	18,202,474
Accounts payable	321,565	217,448
Accrued expenses and other current liabilities	7,191,421	4,293,124
Due to affiliates	153,199	0
Futures contracts	<u>3,086,628</u>	<u>0</u>
 TOTAL CURRENT LIABILITIES	 57,752,813	 56,938,644
 <b><u>LONG-TERM LIABILITIES</u></b>		
Note payable	<u>10,000,000</u>	<u>10,000,000</u>
 TOTAL LIABILITIES	 67,752,813	 66,938,644
 <b><u>MEMBERS' CAPITAL</u></b>	 <u>3,566,033</u>	 <u>7,677,597</u>
 TOTAL LIABILITIES AND MEMBERS' CAPITAL	 <u>\$ 71,318,846</u>	 <u>\$ 74,616,241</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b><u>PRODUCT SALES</u></b>	<u>\$307,788,631</u>	<u>\$175,885,923</u>
<b><u>COST OF SALES</u></b>	<u>304,081,166</u>	<u>170,753,268</u>
GROSS PROFIT	3,707,465	5,132,655
<b><u>OPERATING EXPENSES</u></b>	<u>4,498,959</u>	<u>4,167,391</u>
INCOME (LOSS) FROM OPERATIONS	<u>(791,494)</u>	<u>965,264</u>
<b><u>OTHER EXPENSES</u></b>		
Interest income	417,076	792,512
Interest expense	(3,690,086)	(3,632,720)
Gain (loss) on sale of marketable securities	<u>(47,060)</u>	<u>9,211</u>
TOTAL OTHER EXPENSES	<u>(3,320,070)</u>	<u>(2,830,997)</u>
<b>NET LOSS</b>	<u>\$ (4,111,564)</u>	<u>\$ (1,865,733)</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**STATEMENTS OF MEMBERS' CAPITAL**  
**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Members' capital - beginning	\$ 7,677,597	\$ 9,543,330
Net loss	<u>(4,111,564)</u>	<u>(1,865,733)</u>
MEMBERS' CAPITAL - ENDING	<u>\$ 3,566,033</u>	<u>\$ 7,677,597</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net loss	\$ (4,111,564)	\$ (1,865,733)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
(Gain) loss on sale of marketable securities	47,060	(9,211)
Depreciation and amortization	99,561	87,955
Changes in operating assets and liabilities:		
Accounts receivable	(7,009,272)	(815,341)
Futures contracts	4,255,927	5,224,761
Open purchase and sale commitments	1,456,440	(2,981,804)
Miscellaneous receivables and prepaid expenses	(1,821,910)	1,516,012
Due from affiliates	(640,337)	(49,997)
Inventory	(1,272,410)	8,804,897
Accounts payable	104,117	(549,398)
Accrued expenses and other current liabilities	2,898,297	3,036,329
Due to affiliates	<u>153,199</u>	<u>0</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>(5,840,892)</u>	 <u>12,398,470</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of fixed assets	(11,558)	(31,284)
Purchases of software	0	(101,156)
Purchase of marketable securities	(21,265,836)	(21,833,290)
Proceeds from sale of marketable securities	31,681,031	18,224,974
Payments received on note receivable	<u>2,950,000</u>	<u>0</u>
 Net Cash Provided by (Used in) Investing Activities	 <u>13,353,637</u>	 <u>(3,740,756)</u>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net activity in line of credit	13,200,000	(13,200,000)
Net activity on margin borrowings	(425,598)	(623,236)
Product sold under agreement to repurchase	<u>(18,202,474)</u>	<u>9,366,724</u>
 Net Cash Used in Financing Activities	 <u>(5,428,072)</u>	 <u>(4,456,512)</u>

The Accompanying Notes are an Integral Part of the Financial Statements



**ENERGY MERCHANT, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
NET INCREASE IN CASH	2,084,673	4,201,202
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,008,152</u>	<u>2,806,950</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,092,825</u>	<u>\$ 7,008,152</u>

**Supplemental Disclosures of Cash Flow Information:**

Interest paid	\$ 3,769,441	\$ 3,968,365
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The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of operations

Energy Merchant, LLC (the Company) is a limited liability company that was organized in May 1998 and began operations in December 1998. The limited liability company agreement provides for dissolution of the Company no later than January 1, 2023. The Company is 99% owned by Energy Merchant Holding, Inc.

The Company is engaged in providing price protection programs and the merchandising of petroleum products, predominantly heating oil, diesel fuel and gasoline. Sales to customers are made under contracts of various durations dependent on market conditions at the time the contracts are procured. Forward contracts may be priced either on a fixed or floating basis with the actual price based on market prices for the specific location, futures prices for the specific product with or without a differential, or index price based on a combination of the above.

Cash and cash equivalents

For purposes of financial statement presentation, the Company considers all highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents. Included in cash equivalents are margin deposits required by futures brokers.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Marketable securities

Marketable securities are classified as "available for sale securities" and, accordingly, are carried in the financial statements at fair value. Unrealized gains and losses are recorded directly to earnings. Since such unrealized gains and losses are not material, they have not been reflected as accumulated other comprehensive income.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Futures contracts

The Company uses futures contracts in crude oil, heating oil and gasoline to hedge the effect of market fluctuations on its inventory and its open, fixed price purchase and sale commitments.

An important aspect of the Company's profitability relates to the successful management of the basis between physical and futures contracts for petroleum products. As a result, the Company uses futures contracts in crude oil, heating oil and gasoline to hedge the effect of market price fluctuations on its inventory and open, fixed price purchase and sales commitments. These commitments arise as a result of the Company's different strategies to hedge its customers' exposure to adverse price movements in their respective markets. The hedges may be with respect to product held in tank or may anticipate the purchase of physical product that will be delivered in the future.

The Company accounts for its futures contracts as fair value hedges in accordance with Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," and, as such, all futures contracts are recognized at fair value as either assets or liabilities in the balance sheet, and the gain or loss is recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item (that is, inventory and open commitments) attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. The net gain recognized in earnings during 2002 representing the amount of hedge ineffectiveness is \$1,716,000, and is included in cost of sales in the statement of operations. The fair value is based upon the daily settlement price as quoted by the New York Mercantile Exchange (NYMEX).

Open purchase and sale commitments

Open purchase and sales commitments (both fixed and variable price) are reported at fair value. Fair value is determined based upon differences between the contracted purchase or sale price and the estimated market price of the product, as adjusted for delivery date and freight, thruput and other costs associated with delivery of the product.

As indicated above, the Company uses futures contracts to hedge its open, fixed price purchase and sales commitments.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company also has open, variable price sales commitments. Since these commitments are not fixed price, they are not hedged with futures contracts. However, the Company has elected to apply SFAS 133 Implementation Issue C12, "Scope Exceptions: Interpreting the Normal Purchase and Sales Exception as an Election", and thus is accounting for these commitments as derivatives, even though it is probable that the commitments will result in physical delivery. As a result, in accordance with SFAS 133, these commitments are recorded at fair value in the balance sheet and the gain or loss is recognized in earnings. The fair value of open, variable price sales commitments at December 31, 2002 and 2001 was approximately \$2,740,000 and \$737,000, respectively.

**Inventory**

Inventory consists of petroleum products and is stated at fair value, which is the low market price for the location of the inventory.

**Fixed assets and depreciation**

Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

**Software**

Software is recorded at cost and is amortized using the straight-line method over its estimated useful life. Amortization expense for the years ended December 31, 2002 and 2001 amounted to \$85,524 and \$80,013, respectively.

**Income taxes**

The Company is a limited liability company. As a result, federal and most state tax liabilities flow through to the members. Several states require the payment of taxes based on income or other criteria.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

**NOTE 2: MARKETABLE SECURITIES**

Cost and fair value of marketable securities are as follows at December 31, 2002:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
U.S. Government obligations	\$ 1,250,000	\$ 0	\$ 1,250,000
Total	\$ 1,250,000	\$ 0	\$ 1,250,000

Cost and fair value of marketable securities were as follows at December 31, 2001:

	<u>Cost</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
U.S. Government obligations	\$ 11,621,192	\$ 0	\$ 11,621,192
Corporate bonds	91,799	(736)	91,063
Total	\$ 11,712,991	\$ (736)	\$ 11,712,255

At December 31, investments in debt securities mature as follows:

	<u>2002</u>	<u>2001</u>
Within 1 year	\$ 1,250,000	\$ 11,621,192
1 - 5 years	0	0
5 - 10 years	0	0
After 10 years	0	91,063
Total	\$ 1,250,000	\$ 11,712,255

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 2: MARKETABLE SECURITIES (Continued)**

Realized gains and losses are determined on the basis of specific identification. Sales proceeds and gross realized gains and losses on securities available for sale were:

	<u>2002</u>	<u>2001</u>
Sales proceeds	\$ <u>31,681,031</u>	\$ <u>18,224,974</u>
Gross realized gains	\$ <u>52,144</u>	\$ <u>158,425</u>
Gross realized losses	\$ <u>99,939</u>	\$ <u>148,478</u>

**NOTE 3: NOTE RECEIVABLE**

In October 1999, the Company purchased from Chase Manhattan Bank and ING (US) Capital, LLC a note issued by Stratus Petroleum Corporation (Stratus). The note was purchased for \$3,400,000 and had a principal balance of \$26,586,527. During 2002, a principal payment of \$2,950,000 was made reducing the balance to \$23,636,527. The note is secured by Stratus' ownership interests in petroleum products terminals located in Newark, NJ and Baltimore, MD.

At the time the Company purchased the Stratus note, an affiliate of the Company purchased 50% of the common stock of Stratus. Under the terms of the stock purchase agreement, no principal or interest payments are due under the note for a period of six years from the date the Stratus note was purchased. Therefore the Company does not record any interest income from the note.

**NOTE 4: FIXED ASSETS**

The following is a breakdown of fixed assets at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Office equipment	\$ 75,876	\$ 64,318
Less: accumulated depreciation	<u>(26,133)</u>	<u>(12,098)</u>
<b>TOTAL FIXED ASSETS - NET</b>	<b>\$ <u>49,743</u></b>	<b>\$ <u>52,220</u></b>

Depreciation expense for the years ended December 31, 2002 and 2001, amounted to \$14,035 and \$7,941, respectively.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 5: LINE OF CREDIT**

The Company has a demand line of credit with a group of three banks. The maximum amount available under the line is \$65,000,000. Advances under the line bear interest at the prime rate plus 0.25%, are secured by all assets of the Company and are limited to the "borrowing base" (specified percentages of certain assets, as defined, less debt of the Company). Interest payments are due monthly. Outstanding borrowings under the line were \$47,000,000 and \$33,800,000 at December 31, 2002 and 2001, respectively. The line contains certain financial covenants, all of which have been satisfied by the Company at December 31, 2002 and 2001.

**NOTE 6: PRODUCT SOLD UNDER AGREEMENT TO REPURCHASE**

The Company entered into agreements whereby it sold petroleum product and agreed to repurchase such product in a subsequent month. Such agreements were accounted for as a secured financing arrangement and are reflected as a liability in the accompanying December 31, 2001 balance sheet. In addition, the Company granted to the purchaser a security interest in a brokerage account. This brokerage account had a balance (cash and futures contracts combined) of \$3,735,515 at December 31, 2001. Interest expense on these agreements was approximately \$401,000 and \$554,000 for the years ended December 31, 2002 and 2001, respectively.

**NOTE 7: NOTE PAYABLE**

In October 1999, the Company entered into an agreement and issued \$10,000,000 in a subordinated note to Power & Energy Capital Group, Inc., (Power & Energy), an unrelated corporation. This note payable matures in 10 years and is secured by all assets of the Company. Through March 31, 2002, the note required quarterly interest payments equal to the "net profit share" as defined in the agreement. Effective April 1, 2002, the note bears interest at 5% per annum and is payable in monthly installments beginning January 1, 2004. The interest accruing from April 1, 2002 through November 30, 2003 is payable on December 31, 2003. In addition, a warrant to purchase a 49% interest in the Company was issued to Power & Energy. The exercise price of this warrant is equal to \$10,000,000. The warrant may be exercised in part or full at any time prior to August 31, 2004. Upon exercise of the warrant, Power & Energy shall be deemed to have paid to the Company an amount of the full exercise price equal to the balance of the note payable then outstanding. Operating expenses include one quarterly "net profit share" payment of approximately \$128,000 and \$140,000 for the years ended December 31, 2002 and 2001, respectively.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 8: SIGNIFICANT CONCENTRATIONS**

The Company maintains cash and cash equivalents in accounts at several banks, brokerage houses and futures brokers. Amounts insured by Federal Deposit Insurance Corporation were \$100,000 and \$191,200 at December 31, 2002 and 2001, respectively.

The majority of the Company's customers operate in the fuel business. A significant portion of the accounts receivables are from these customers. The Company does not obtain security from its customers in support of accounts receivable. However, the Company has credit insurance covering virtually all of its accounts receivable.

**NOTE 9: RELATED PARTY TRANSACTIONS**

The Company paid fees for thruput and storage to Stratus of approximately \$1,586,000 and \$1,317,000 for the years ended December 31, 2002 and 2001, respectively.

The Company has a receivable from Stratus in the amount of \$975,000. This receivable bears no interest and has no specific repayment terms.

The Company has a payable to Energy Merchant Corp. in the amount of \$153,199 at December 31, 2002. The Company had a receivable from Energy Merchant Corp. in the amount of \$334,663 at December 31, 2001. These related party loans bear no interest and have no specific repayment terms. Energy Merchant Corp. is the sole owner of Energy Merchant Holding, Inc., which is the 99% owner of the Company.

The Company's office facilities are owned by a member of management. No rent is charged for the use of the facilities.

**NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheets for the Company's financial instruments approximate their fair values, except as follows:

- It is not practicable to estimate fair value for the note payable to Power & Energy Capital Group, Inc., due to the unique terms of the note as previously described.
- The fair value of the note receivable from Stratus Petroleum Corporation is estimated to be \$10,000,000 at December 31, 2002 and 2001. Fair value is based upon the present value of estimated cash flows using a discount rate commensurate with the risks involved.



**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 11: CONTINGENCIES**

The Company has guaranteed the payment of certain trade obligations with letters of credit, approximating \$750,000 at December 31, 2002, expiring March 31, 2003, issued by its banks in favor of those vendors.

**NOTE 12: SUBSEQUENT EVENTS**

The following significant subsequent events have occurred:

- In 2003, the Company's demand line of credit balance with a group of three banks was called and the line of credit was terminated. In order to repay the balance due under the line (which was \$47,000,000 at December 31, 2002), the Company liquidated a substantial portion of its assets in 2003. The line of credit balance was repaid in full in December 2003.
- The Company's \$10,000,000 note payable to Power & Energy Capital Group, Inc. was repaid in full in June 2004.
- During 2003, a principal payment of \$2,220,733 was made on the note receivable from Stratus Petroleum Corporation, resulting in a gain of \$1,770,733 being recognized in 2003.

**NOTE 13: RESTATEMENT**

The accompanying financial statements for 2002 and 2001 have been restated to correct an error in accounting for the note receivable from Stratus Petroleum Corporation. The note receivable had been stated at the amount estimated to be collectible by management which is in excess of cost. In order to conform with U. S. generally accepted accounting principles, the note receivable has been restated to its cost. The effect of the restatement was to decrease the note receivable by \$9,550,000 and \$6,600,000 at December 31, 2002 and 2001, respectively, to decrease members' capital by \$9,550,000 and \$6,600,000 at December 31, 2002 and 2001, respectively, and to decrease (increase) net income (loss) for the years ended December 31, 2002 and 2001 by \$2,950,000 and \$6,600,000, respectively.

**ENERGY MERCHANT, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

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Members  
Energy Merchant, LLC

We have reviewed the accompanying balance sheet of Energy Merchant, LLC as of December 31, 2003, and the related statements of operations, members' capital and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

June 15, 2004  
Baltimore, Maryland

**ENERGY MERCHANT, LLC  
BALANCE SHEET  
DECEMBER 31, 2003**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,707,427
Accounts receivable	4,400,416
Open purchase and sale commitments	51,809
Miscellaneous receivables and prepaid expenses	123,344
Due from affiliates	87,242
Inventory	<u>4,604,062</u>

TOTAL CURRENT ASSETS 10,974,300

**FIXED ASSETS**

TOTAL FIXED ASSETS - NET 51,396

**OTHER ASSETS**

Software - net	<u>5,512</u>
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TOTAL ASSETS \$ 11,031,208

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**LIABILITIES AND MEMBERS' CAPITAL**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 487,707
Accrued expenses and other current liabilities	1,898,854
Note payable	10,000,000
Futures contracts	<u>105,294</u>

TOTAL CURRENT LIABILITIES	12,491,855
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**MEMBERS' CAPITAL**

(1,460,647)

**TOTAL LIABILITIES AND MEMBERS' CAPITAL**

**\$ 11,031,208**

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b><u>PRODUCT SALES</u></b>	<b>\$319,196,866</b>
<b><u>COST OF SALES</u></b>	<b><u>321,470,392</u></b>
GROSS LOSS	(2,273,526)
<b><u>OPERATING EXPENSES</u></b>	<b><u>3,977,919</u></b>
LOSS FROM OPERATIONS	<u>(6,251,445)</u>
<b><u>OTHER EXPENSES</u></b>	
Interest income	28,158
Interest expense	(1,924,126)
Gain on note receivable	<u>1,770,733</u>
TOTAL OTHER EXPENSES	<u>(125,235)</u>
<b>NET LOSS</b>	<b>\$ <u>(6,376,680)</u></b>

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC  
STATEMENT OF MEMBERS' CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Members' capital - beginning	\$ 3,566,033
Net loss	(6,376,680)
Capital contributions	<u>1,350,000</u>
MEMBERS' CAPITAL - ENDING	<u>\$ (1,460,647)</u>

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements



**ENERGY MERCHANT, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (6,376,680)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	95,779
Gain on note receivable	(1,770,733)
Changes in operating assets and liabilities:	
Accounts receivable	9,392,111
Futures contracts	(2,981,334)
Open purchase and sale commitments	2,299,283
Miscellaneous receivables and prepaid expenses	1,731,369
Due from affiliates	887,758
Inventory	36,816,414
Accounts payable	166,142
Accrued expenses and other current liabilities	(5,292,567)
Due to affiliates	<u>(153,199)</u>
 Net Cash Provided by Operating Activities	 <u>34,814,343</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	(20,474)
Proceeds from sale of marketable securities	1,250,000
Payments received on note receivable	<u>2,220,733</u>
 Net Cash Provided by Investing Activities	 <u>3,450,259</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net activity in line of credit	(47,000,000)
Capital contributions	<u>1,350,000</u>
 Net Cash Used in Financing Activities	 <u>(45,650,000)</u>
 NET DECREASE IN CASH	 (7,385,398)
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	 <u>9,092,825</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	 <u>\$ 1,707,427</u>

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Supplemental Disclosures of Cash Flow Information:**

Interest paid	\$ 1,924,126
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See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of operations

Energy Merchant, LLC (the Company) is a limited liability company that was organized in May 1998 and began operations in December 1998. The limited liability company agreement provides for dissolution of the Company no later than January 1, 2023. The Company is 99% owned by Energy Merchant Holding, Inc.

The Company is engaged in providing price protection programs and the merchandising of petroleum products, predominantly heating oil, diesel fuel and gasoline. Sales to customers are made under contracts of various durations dependent on market conditions at the time the contracts are procured. Forward contracts may be priced either on a fixed or floating basis with the actual price based on market prices for the specific location, futures prices for the specific product with or without a differential, or index price based on a combination of the above.

Cash and cash equivalents

For purposes of financial statement presentation, the Company considers all highly liquid debt instruments with maturities of three months or less when acquired to be cash equivalents. Included in cash equivalents are margin deposits required by futures brokers.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Futures contracts

The Company uses futures contracts in crude oil, heating oil and gasoline to hedge the effect of market fluctuations on its inventory and its open, fixed price purchase and sale commitments.

An important aspect of the Company's profitability relates to the successful management of the basis between physical and futures contracts for petroleum products. As a result, the Company uses futures contracts in crude oil, heating oil and gasoline to hedge the effect of market price fluctuations on its inventory and open, fixed price purchase and sales commitments. These commitments arise as a result of the Company's different strategies to hedge its customers' exposure to adverse price movements in their respective markets. The hedges may be with respect to product held in tank or may anticipate the purchase of physical product that will be delivered in the future.

The Company accounts for its futures contracts as fair value hedges in accordance with Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," and, as such, all futures contracts are recognized at fair value as either assets or liabilities in the balance sheet, and the gain or loss is recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item (that is, inventory and open commitments) attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. The net loss recognized in earnings during 2003 representing the amount of hedge ineffectiveness is \$3,288,000, and is included in cost of sales in the statement of operations. The fair value is based upon the daily settlement price as quoted by the New York Mercantile Exchange (NYMEX).

Open purchase and sale commitments

Open purchase and sales commitments (both fixed and variable price) are reported at fair value. Fair value is determined based upon differences between the contracted purchase or sale price and the estimated market price of the product, as adjusted for delivery date and freight, thruput and other costs associated with delivery of the product.

As indicated above, the Company uses futures contracts to hedge its open, fixed price purchase and sales commitments.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company also has open, variable price sales commitments. Since these commitments are not fixed price, they are not hedged with futures contracts. However, the Company has elected to apply SFAS 133 Implementation Issue C12, "Scope Exceptions: Interpreting the Normal Purchase and Sales Exception as an Election", and thus is accounting for these commitments as derivatives, even though it is probable that the commitments will result in physical delivery. As a result, in accordance with SFAS 133, these commitments are recorded at fair value in the balance sheet and the gain or loss is recognized in earnings. The fair value of open, variable price sales commitments at December 31, 2003 was approximately \$52,000.

**Inventory**

Inventory consists of petroleum products and is stated at fair value, which is the low market price for the location of the inventory.

**Fixed assets and depreciation**

Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

**Software**

Software is recorded at cost and is amortized using the straight-line method over its estimated useful life. Amortization expense for the year ended December 31, 2003 amounted to \$76,956.

**Income taxes**

The Company is a limited liability company. As a result, federal and most state tax liabilities flow through to the members. Several states require the payment of taxes based on income or other criteria.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

**NOTE 2: GAIN ON NOTE RECEIVABLE**

In October 1999, the Company purchased from Chase Manhattan Bank and ING (US) Capital, LLC a note issued by Stratus Petroleum Corporation (Stratus). The note was purchased for \$3,400,000 and had a principal balance of \$26,586,527. At December 31, 2002, the note was recorded at \$450,000, representing original cost of \$3,400,000 less 2002 repayment of \$2,950,000. During 2003, a principal payment of \$2,220,733 was made resulting in a gain of \$1,770,733. The note is secured by Stratus' ownership interests in petroleum products terminals located in Newark, NJ and Baltimore, MD.

At the time the Company purchased the Stratus note, an affiliate of the Company purchased 50% of the common stock of Stratus. Under the terms of the stock purchase agreement, no principal or interest payments are due under the note for a period of six years from the date the Stratus note was purchased. Therefore the Company does not record any interest income from the note.

Additionally, the Company entered into a management agreement in October 1999, whereby the Company or a permitted designee shall be responsible for the duties and services relating to the conduct of Stratus' petroleum business, including, but not limited to, various administrative, management and marketing functions. The agreement runs through December 31, 2005, unless terminated earlier as outlined in the agreement. Under the terms of the agreement, there is a provision for a management fee to be paid to the Company based upon a formula outlined in the agreement. No management fee is due the Company at December 31, 2003.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 3: FIXED ASSETS**

The following is a breakdown of fixed assets at December 31, 2003:

Office equipment	\$ 96,350
Less: accumulated depreciation	<u>(44,954)</u>
TOTAL FIXED ASSETS - NET	<u>\$ 51,396</u>

Depreciation expense for the year ended December 31, 2003 amounted to \$18,822.

**NOTE 4: NOTE PAYABLE**

In October 1999, the Company entered into an agreement and issued \$10,000,000 in a subordinated note to Power & Energy Capital Group, Inc., (Power & Energy), an unrelated corporation. This note payable was to mature in 10 years and was secured by all assets of the Company. Through March 31, 2002, the note required quarterly interest payments equal to the "net profit share" as defined in the agreement. Effective April 1, 2002, the note bore interest at 5% per annum and was payable in monthly installments beginning January 1, 2004. The interest accruing from April 1, 2002 through November 30, 2003 was payable on December 31, 2003. In addition, a warrant to purchase a 49% interest in the Company was issued to Power & Energy. The exercise price of this warrant was equal to \$10,000,000. The warrant was exercisable in part or full at any time prior to August 31, 2004. Upon exercise of the warrant, Power & Energy would be deemed to have paid to the Company an amount of the full exercise price equal to the balance of the note payable then outstanding.

This agreement was amended by an allonge dated December 17, 2003. The allonge modified the maturity date to be no later than November 1, 2004 and added various covenants (including restrictions on business activities and use of cash proceeds) to the note agreement. The Company made payments on the note during 2004, paying it in full in June 2004. As a result of the repayment in full in June 2004, all rights and obligations under the warrant expired.

**NOTE 5: OPERATING LEASES**

The Company leases various pieces of equipment under operating leases expiring through 2006.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 5: OPERATING LEASES** (Continued)

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year as of December 31, 2003 are as follows:

2004	\$ 23,295
2005	16,451
2006	<u>1,158</u>
Total	<u>\$ 40,904</u>

Rent expense for the year ended December 31, 2003 was \$40,933.

**NOTE 6: SIGNIFICANT CONCENTRATIONS**

The Company maintains cash and cash equivalents in accounts at several banks, brokerage houses and futures brokers. Amounts insured by Federal Deposit Insurance Corporation were approximately \$38,000 at December 31, 2003.

The majority of the Company's customers operate in the fuel business. A significant portion of the accounts receivables are from these customers. The Company does not obtain security from its customers in support of accounts receivable.

**NOTE 7: RELATED PARTY TRANSACTIONS**

The Company paid fees for thruput and storage to Stratus of approximately \$720,000 for the year ended December 31, 2003. The Company has an accounts payable balance to Stratus in the amount of \$20,519 at December 31, 2003.

The Company has a receivable from Energy Merchant Corp. in the amount of \$87,242 at December 31, 2003. This related party loan bears no interest and has no specific repayment terms. Energy Merchant Corp. is the sole owner of Energy Merchant Holding, Inc., which is the 99% owner of the Company.

The Company's office facilities are owned by a member of management. No rent is charged for the use of the facilities.

See Accountants' Review Report



**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheet for the Company's financial instruments approximate their fair values, except that:

- It is not practicable to estimate fair value for the note payable to Power & Energy Group, Inc., due to the unique terms of the note as previously described.
- It is not practicable to estimate fair value for the note receivable from Stratus Petroleum Corp. since Stratus is a privately held company and fair value would be dependent upon a projection of future cash flows and/or appraisals of Stratus' assets.

**NOTE 9: CONTINGENCIES**

The Company has guaranteed the payment of a trade obligation with a standby letter of credit of \$250,000 expiring March 31, 2004, issued by its banks in favor of those vendors. The letter of credit was cancelled in January 2004.

**NOTE 10: GOING CONCERN**

In 2003, the Company's demand line of credit balance with a group of three banks was called and the line of credit was terminated. In order to repay the balance due under the line (which was \$47,000,000 at December 31, 2002), the Company liquidated a substantial portion of its assets in 2003. The line of credit balance was repaid in full in December 2003. Furthermore, as described in Note 4, the Company's \$10,000,000 note payable to Power & Energy Capital Group, Inc. was repaid in full in June 2004. Due to the cash needed to repay its lenders, the Company's business activities have been significantly limited since late 2003 and sales have declined substantially since then. The Company is currently developing a business plan whereby its focus would shift from merchandising of petroleum products through price protection programs to the development of a fuel switching business and the monetization of the Company's pipeline capacity through buy-sell agreements with customers who wish to ship petroleum products through pipelines in which the Company has allocations. The ability of the Company to continue as a going concern is dependent upon the implementation and success of this plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

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Members  
Energy Merchant, LLC

We have reviewed the accompanying balance sheet of Energy Merchant, LLC as of December 31, 2004, and the related statements of operations, members' capital and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Handwritten signature of J. A. B. V. F. PA

May 18, 2005  
Timonium, Maryland

**ENERGY MERCHANT, LLC  
BALANCE SHEET  
DECEMBER 31, 2004**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 330,433
Prepaid expenses	93,491
Due from affiliates	<u>1,083,752</u>
TOTAL CURRENT ASSETS	1,507,676

**FIXED ASSETS**

TOTAL FIXED ASSETS - NET	<u>32,210</u>
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<b>TOTAL ASSETS</b>	<b>\$ <u>1,539,886</u></b>
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See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**LIABILITIES AND MEMBERS' CAPITAL**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 298,048
Accrued expenses and other current liabilities	<u>85,127</u>

TOTAL CURRENT LIABILITIES	383,175
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**MEMBERS' CAPITAL**

1,156,711

**TOTAL LIABILITIES AND MEMBERS' CAPITAL**

**\$ 1,539,886**

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

<b><u>PRODUCT SALES</u></b>	\$ 6,235,829
<b><u>COST OF SALES</u></b>	<u>5,895,705</u>
GROSS PROFIT	340,124
<b><u>OPERATING EXPENSES</u></b>	<u>2,563,021</u>
LOSS FROM OPERATIONS	<u>(2,222,897)</u>
<b><u>OTHER INCOME</u></b>	
Interest income	6,252
Interest expense	(83,997)
Gain on note receivable	<u>4,918,000</u>
TOTAL OTHER INCOME	<u>4,840,255</u>
<b>NET INCOME</b>	<b>\$ <u>2,617,358</u></b>

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC  
STATEMENT OF MEMBERS' CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Members' capital - beginning	\$ (1,460,647)
Net income	<u>2,617,358</u>
MEMBERS' CAPITAL - ENDING	<u>\$ 1,156,711</u>

See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements



**ENERGY MERCHANT, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 2,617,358
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	24,698
Changes in operating assets and liabilities:	
Accounts receivable	4,400,416
Futures contracts	(105,294)
Open purchase and sale commitments	51,809
Prepaid expenses	29,853
Due from affiliates	(996,510)
Inventory	4,604,062
Accounts payable	(189,659)
Accrued expenses and other current liabilities	<u>(1,813,727)</u>
Net Cash Provided by Operating Activities	<u>8,623,006</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on debt	<u>(10,000,000)</u>
Net Cash Used in Financing Activities	<u>(10,000,000)</u>
NET DECREASE IN CASH	(1,376,994)
CASH AT THE BEGINNING OF THE YEAR	<u>1,707,427</u>
CASH AT THE END OF THE YEAR	<u>\$ 330,433</u>

**Supplemental Disclosures of Cash Flow Information:**

Interest paid	\$ 83,997
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See Accountants' Review Report  
The Accompanying Notes are an Integral Part of the Financial Statements

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of operations

Energy Merchant, LLC (the Company) is a limited liability company that was organized in May 1998 and began operations in December 1998. The limited liability company agreement provides for dissolution of the Company no later than January 1, 2023. The Company is 99% owned by Energy Merchant Holding, Inc.

The Company is engaged in providing price protection programs and the merchandising of petroleum products, predominantly heating oil, diesel fuel and gasoline. Sales to customers are made under contracts of various durations dependent on market conditions at the time the contracts are procured. Forward contracts may be priced either on a fixed or floating basis with the actual price based on market prices for the specific location, futures prices for the specific product with or without a differential, or index price based on a combination of the above.

The Company also maintains a consulting agreement with one of its customers to execute similar sales programs on the customer's behalf. The Company receives half of the net profit of any such sales as compensation for this arrangement. This contract runs through September of 2007, with an exit clause which allows either party to terminate the agreement on the anniversary of the contract in September with ninety days notice.

Futures contracts

During the year ended December 31, 2004, the Company used futures contracts in crude oil, heating oil and gasoline to hedge the effect of market fluctuations on its inventory and its open, fixed price purchase and sale commitments. There were no futures contracts at December 31, 2004.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company accounted for its futures contracts as fair value hedges in accordance with Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," and, as such, all futures contracts were recognized at fair value as either assets or liabilities on the balance sheet, and the gain or loss was recognized in earnings in the period of change, together with the offsetting loss or gain on the hedged item (that is, inventory and open commitments) attributable to the risk being hedged. The effect of that accounting was to reflect in earnings the extent to which the hedge was not effective in achieving offsetting changes in fair value. The net loss recognized in earnings during 2004 representing the amount of hedge ineffectiveness is \$12,000, and is included in cost of sales in the statement of operations. The fair value was based upon the daily settlement price as quoted by the New York Mercantile Exchange (NYMEX).

**Fixed assets and depreciation**

Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

**Software**

Software is recorded at cost and is amortized using the straight-line method over its estimated useful life. Amortization expense for the year ended December 31, 2004 amounted to \$5,512. Software is fully amortized at December 31, 2004.

**Income taxes**

The Company is a limited liability company. As a result, federal and most state tax liabilities flow through to the members. Several states require the payment of taxes based on income or other criteria.

**Use of estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 2: GAIN ON NOTE RECEIVABLE**

In October 1999, the Company purchased from Chase Manhattan Bank and ING (US) Capital, LLC a note issued by Stratus Petroleum Corporation (Stratus). The note was purchased for \$3,400,000 and had a principal balance of \$26,586,527. At December 31, 2003, the note was recorded at \$0, representing original cost of \$3,400,000 less repayments of \$5,170,733, resulting in prior year gains of \$1,770,733. During 2004, \$4,918,000 was received on the note, of which the entire amount was a gain on the note receivable. The note is secured by Stratus' ownership interests in a petroleum products terminal located in Newark, NJ.

At the time the Company purchased the Stratus note, an affiliate of the Company purchased 50% of the common stock of Stratus. Under the terms of the stock purchase agreement, no principal or interest payments are due under the note for a period of six years from the date the Stratus note was purchased. Therefore the Company does not record any interest income from the note.

In February 2005, Stratus sold its remaining interest in its terminals for approximately \$7,200,000. At that time, Stratus collected 50% of the total sales price and has a note to collect the balance in January 2006. Stratus paid the Company approximately \$3,600,000 on the note receivable in 2005.

**NOTE 3: FIXED ASSETS**

The following is a summary of fixed assets at December 31, 2004:

Office equipment	\$ 96,350
Less: accumulated depreciation	<u>(64,140)</u>
<b>TOTAL FIXED ASSETS - NET</b>	<b>\$ <u>32,210</u></b>

Depreciation expense for the year ended December 31, 2004 amounted to \$19,186.

**NOTE 4: OPERATING LEASES**

The Company leases various pieces of equipment under operating leases expiring through 2006.

See Accountants' Review Report

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 4: OPERATING LEASES (Continued)**

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year as of December 31, 2004 are as follows:

2005	\$ 16,451
2006	<u>1,158</u>
Total	\$ <u>17,609</u>

Rent expense for the year ended December 31, 2004 was \$26,462.

**NOTE 5: SIGNIFICANT CONCENTRATIONS**

The Company maintains cash balances which may exceed federally insured limits at times during the year. The Company does not believe that this results in any significant credit risk.

As indicated in Note 1, the Company entered into an agreement with an unrelated entity on September 8, 2004 to provide services consisting of product acquisition, sales, invoicing, pipeline scheduling and related services including hedging techniques and strategies. The agreement is for a minimum of three years and includes a non-compete clause involving the sale of products and performance of services with competing businesses. The agreement is subject to termination under certain conditions or upon written notice ninety days prior to the anniversary date. For approximately the last four months of 2004, virtually all of the sales of the Company were to this unrelated entity under the aforementioned agreement. In addition, the large majority of the Company's 2004 sales were to customers other than this entity and occurred during the first three months of 2004.

**NOTE 6: RELATED PARTY TRANSACTIONS**

The Company paid fees for thruput and storage to Stratus of approximately \$43,120 for the year ended December 31, 2004. The Company has a receivable from Stratus in the amount of \$64,925 at December 31, 2004. This related party loan bears no interest and has no specific repayment terms. An affiliate of the Company owns 50% of the stock of Stratus.

The Company has a receivable from Energy Merchant Corp. in the amount of \$1,018,827 at December 31, 2004. This related party loan bears no interest and has no specific repayment terms. Energy Merchant Corp. is the sole owner of Energy Merchant Holding, Inc., which is the 99% owner of the Company.

**ENERGY MERCHANT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 6: RELATED PARTY TRANSACTIONS (Continued)**

The Company's office facilities are owned by a member of management. No rent is charged for the use of the facilities.

**NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheet for the Company's financial instruments approximate their fair values, except that it is not practicable to estimate fair value for the note receivable from Stratus Petroleum Corp. since Stratus is a privately held company and fair value would be dependent upon a projection of future cash flows and/or appraisals of Stratus' assets.

**D**

**Exhibit D**  
**Detail of Trading Gains & Losses**  
**January- December 2000**

	MC Pioneer 70394	MC Pioneer 70394R	MC Refco 30970	MC Refco LTD	MC S. Stone 14705	EMC-AB S. Stone 14705	EML S. Stone 14705	EML Refco 30970	EML Fimat P & L	Private Put Prem P & L	Total
<b>INCOME = ( )</b>											
Prior Yr Reversal	(9,500.00)		(207,671.00)		(427,640.00)						(644,811.00)
Jan-00	(856,077.24)	161,760.48	668,635.00		653,389.17						627,707.41
Feb-00	71,960.43		1,190,105.00		862,749.55						2,124,814.98
Mar-00	(2,937,850.17)		(4,095,898.00)		(50,684.95)				(62,491.00)	(6,000,000.00)	(13,146,924.12)
Apr-00	(2,757,698.73)	-	(770,275.80)		146,128.23				-	-	(3,381,846.30)
May-00	(5,820,167.90)	-	(26,012,288.60)		(770,283.27)				-	-	(32,602,739.77)
Jun-00	1,125,329.91		10,195,953.00	509,210.00	(3,280.93)		(17,586.00)	(51,216.00)	-	-	11,758,409.98
Jul-00	(501,741.62)		(3,826,313.80)	(22,622.00)	1,195,893.52						(3,154,783.90)
Aug-00	(125,785.12)		1,496,560.00		(534,986.66)						835,788.22
Sep-00	(340,473.11)		(2,008,732.80)		(4,469,332.82)	294,999.00					(6,523,539.73)
Oct-00	995,405.89		946,590.00		(547,389.94)	(592,837.38)					801,768.57
Nov-00	(333,268.35)		14,556.00		(932,872.89)	(5,995,423.74)					(7,247,008.98)
Dec-00	1,157,080.61		(907,636.00)	39,050.00	101,467.09	9,021,420.53					9,411,382.23
<b>Sub total</b>	<b>(10,332,785.40)</b>	<b>161,760.48</b>	<b>(23,316,417.00)</b>	<b>525,638.00</b>	<b>(4,776,843.90)</b>	<b>2,728,158.41</b>	<b>(17,586.00)</b>	<b>(51,216.00)</b>	<b>(62,491.00)</b>	<b>(6,000,000.00)</b>	<b>(41,141,782.41)</b>
<b>YTD Realized P&amp;L</b>	<b>(10,332,785.40)</b>	<b>161,760.48</b>	<b>(23,316,417.00)</b>	<b>525,638.00</b>	<b>(4,776,843.90)</b>	<b>2,728,158.41</b>	<b>(17,586.00)</b>	<b>(51,216.00)</b>	<b>(62,491.00)</b>	<b>(6,000,000.00)</b>	<b>(41,141,782.41)</b>
<b>sum of two S. Stone accounts</b>					<b>(2,048,685.49)</b>						
<b>detail</b>	<b>(10,281,568.40)</b>		<b>(23,367,633.00)</b>								
<b>difference</b>	<b>51,217.00</b>		<b>(51,216.00)</b>								



EMC CAPITAL CORP  
PIONEER ACCOUNT  
SUMMARY OF MONTHLY TRANSACTIONS  
JANUARY 1- DECEMBER 31, 2000

Exhibit D

Pioneer  
A/C #70394

Month	Opening Balance	(IN)/Out *Wires Margin	(Inc)/Exp Interest Income	T-Bills	(IN)/Out Trans to/from 70394reg	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&S	(Inc)/Exp Net Option Premiums	(DR) CR Account Balance	(Inc)/Exp Open Gains	Account Value	Option Value	Net Liquidity	change in Liquidity	Monthly P&L	YTD P&L
Dec-99													3,541,206.78			
Jan-00	3,531,706.78	(3,753,652.80)			161,760.48	26,265.68	(724,661.92)	(157,681.00)	(916,262.78)	57,567.00	(858,695.78)	99,000.00	(759,695.78)	(4,300,902.56)	709,010.24	709,010.24
Feb-00	(916,262.78)	(200,000.00)				46,360.00	(301,279.32)	326,879.75	(1,044,302.35)	(1,123,536.00)	(2,187,838.35)	(668,000.00)	(2,835,838.35)	(2,076,142.57)	1,876,142.57	2,585,152.81
Mar-00	(1,044,302.35)					52,001.83	(3,088,187.15)	96,336.35	(3,982,151.52)	608,220.00	(3,373,931.52)	(1,256,000.00)	(4,629,931.52)	(1,794,093.17)	1,794,093.17	4,379,245.98
Apr-00	(3,982,151.52)	1,500,000.00				22,303.19	(2,318,709.92)	(483,292.00)	(5,239,850.25)	2,805,520.00	(2,834,330.25)	(1,603,500.00)	(4,237,830.25)	392,101.27	1,107,898.73	5,487,144.71
May-00	(5,239,850.25)	3,000,000.00				67,060.94	(5,674,478.84)	(212,750.00)	(8,060,018.15)	6,271,534.00	(1,788,484.15)	-	(1,788,484.15)	2,449,348.10	550,853.90	8,037,798.61
Jun-00	(8,060,018.15)	(1,400,000.00)				84,308.91	1,981,812.00	(869,375.00)	(8,283,472.24)	2,998,399.60	(5,285,072.64)	(90,000.00)	(5,375,072.64)	(3,566,568.49)	2,186,568.49	8,224,387.10
Jul-00	(8,283,472.24)	1,500,000.00				115,485.78	317,922.80	(935,150.00)	(7,285,213.86)	6,064,882.00	(1,220,331.86)	4,000.00	(1,216,331.86)	4,158,740.78	(2,658,740.78)	5,565,646.32
Aug-00	(7,285,213.86)					65,322.88	685,882.00	(907,000.00)	(7,410,998.98)	1,866,737.00	(5,524,261.98)	336,000.00	(5,188,261.98)	(3,971,930.12)	3,971,930.12	9,537,576.44
Sep-00	(7,410,998.98)	5,500,000.00				68,617.89	1,096,259.00	(1,505,550.00)	(2,251,472.09)	1,135,840.00	(1,115,632.09)	125,000.00	(990,632.09)	4,197,629.89	1,302,370.11	10,839,946.55
Oct-00	(2,251,472.09)	30,000.00				49,485.89	1,689,550.00	(743,830.00)	(1,226,086.20)	783,282.00	(442,784.20)	4,000.00	(438,784.20)	551,847.89	(521,847.89)	10,318,098.66
Nov-00	(1,226,086.20)	(1,314,000.00)				48,659.15	151,182.50	(533,110.00)	(2,873,334.55)	339,289.00	(2,534,065.55)	-	(2,534,065.55)	(2,095,281.35)	781,281.35	11,099,380.01
Dec-00	(2,873,334.55)	550,000.00				87,865.01	901,307.80	167,908.00	(1,166,253.94)	193,998.00	(972,255.94)	1,000.00	(971,255.94)	1,562,809.61	(1,012,809.61)	10,086,570.40
YTD		5,412,347.20	-	-	161,760.48											
							(5,279,591.45)									
							(5,738,413.90)									
							743,936.95									
							(10,272,068.40)									
							(9,500.00)									
					prior year reversal		(10,281,568.40)									
					2000 P&L											

A/C #70394 REG

Month	Opening Balance	(IN)/Out *Wires Margin	(Inc)/Exp Interest Income	T-Bills	(IN)/Out Trans to/from 70394reg	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&S	(Inc)/Exp Net Option Premiums	(DR) CR Account Balance	(Inc)/Exp Open Gains	Account Value	Option Value	Net Liquidity	change in Liquidity	P&L	YTD P&L
Jan-00	-				(161,760.48)		161,760.48		-		-		-	-	(161,760.48)	(161,760.48)
Feb-00	-								-		-		-	-	-	(161,760.48)
Mar-00	-								-		-		-	-	-	(161,760.48)
Apr-00	-								-		-		-	-	-	(161,760.48)
May-00	-								-		-		-	-	-	(161,760.48)
Jun-00	-								-		-		-	-	-	(161,760.48)
Jul-00	-								-		-		-	-	-	(161,760.48)
Aug-00	-								-		-		-	-	-	(161,760.48)
Sep-00	-								-		-		-	-	-	(161,760.48)
Oct-00	-								-		-		-	-	-	(161,760.48)
Nov-00	-								-		-		-	-	-	(161,760.48)
Dec-00	-								-		-		-	-	-	(161,760.48)
YTD					(161,760.48)		161,760.48									

EMC CAPITAL CORP  
REFCO ACCOUNT  
SUMMARY OF MONTHLY TRANSACTIONS  
JANUARY 1 - DECEMBER 31, 2000

Exhibit D

Refco Month	Opening Balance	(Inc)/Exp Interest Income	(IN)/Out Wires Margin	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&S	(IN)/Out Net Option Premiums	Account Balance	(Inc)/Exp Open Equity Open Gains	Account Value	Option Value	Account Value	change In Liquidity	Monthly P&L	YTD P&L
Jan-00	(847,998.35)	(4,050.36)	(1,975,000.00)	42,032.00	551,353.00	75,250.00	(2,158,413.71)	129,665.40	(2,028,748.31)	2,000.00	(640,327.35)	(1,386,420.96)	(592,629.40)	(592,629.40)
Feb-00	(2,158,413.71)	(4,509.58)	(200,000.00)	60,946.00	808,589.00	320,590.00	(1,172,818.27)	(1,370,740.00)	(2,543,558.27)	(639,000.00)	(3,182,558.27)	(1,155,809.96)	951,300.40	358,671.00
Mar-00	(1,172,818.27)	(7,460.35)		85,452.00	(3,899,800.00)	(281,750.00)	(5,276,176.62)	(333,450.00)	(5,609,626.62)	(444,000.00)	(6,053,626.62)	(2,871,068.35)	2,863,608.00	3,222,279.00
Apr-00	(5,276,176.62)	(12,801.45)		91,144.00	(2,477,019.80)	1,815,800.00	(8,059,253.87)	370,264.80	(5,688,989.07)	(2,999,800.00)	(8,688,789.07)	(2,635,162.45)	2,622,361.00	5,844,640.00
May-00	(8,059,253.87)	(26,650.87)	7,200,000.00	209,092.00	(5,656,530.80)	(20,564,850.00)	(24,898,193.34)	5,935,418.00	(18,962,775.34)	8,343,520.00	(10,619,255.34)	(1,930,466.27)	9,103,815.40	14,948,455.40
Jun-00	(24,898,193.34)	(10,811.41)	4,909,210.00	154,112.00	9,945,815.00	44,810.00	(9,855,057.75)	2,597,890.20	(7,257,167.55)	(1,609,800.00)	(8,866,967.55)	1,752,287.79	3,146,110.80	18,094,566.20
Jul-00	(9,855,057.75)	(41,771.69)	3,977,378.00	185,218.00	(1,346,469.80)	(2,865,060.00)	(9,745,765.24)	8,156,717.00	(3,589,048.24)	335,250.00	(3,253,798.24)	5,613,169.31	(1,677,583.00)	18,417,003.20
Aug-00	(9,745,765.24)	(30,407.49)		87,044.00	2,729,836.00	(1,320,320.00)	(8,279,612.73)	4,375,448.20	(3,904,164.53)	(2,800,500.00)	(6,704,664.53)	(3,450,866.29)	3,420,458.80	19,837,462.00
Sep-00	(8,279,612.73)	(26,113.89)	4,300,000.00	110,552.00	1,234,050.20	(3,353,335.00)	(8,014,459.42)	2,485,325.00	(3,549,134.42)	457,450.00	(3,091,684.42)	3,612,980.11	660,906.00	20,498,368.00
Oct-00	(8,014,459.42)	(13,855.54)	500,000.00	56,588.00	1,147,802.00	(257,600.00)	(4,581,724.96)	2,303,487.00	(2,278,237.96)	7,000.00	(2,271,237.96)	820,446.46	(334,302.00)	20,164,066.00
Nov-00	(4,581,724.96)	(15,089.94)	3,300,000.00	72,516.00	577,229.00	(635,189.00)	(1,262,238.90)	(1,446,500.00)	(2,728,738.90)	106,000.00	(2,622,738.90)	(351,500.94)	3,836,431.00	23,800,497.00
Dec-00	(1,262,238.90)	(12,375.63)	2,039,050.00	53,088.00	(789,154.00)	(191,570.00)	(163,200.53)	1,596.00	(161,604.53)	1,000.00	(160,604.53)	2,462,134.37	(435,460.00)	23,365,037.00
YTD		(205,878.18)	24,050,638.00	1,207,782.00	(2,843,880.00)	(2,213,424.00)								

1/31/06 14:28

(27,445.57) 5,339,050.00 125,804.00 (191,925.00) (826,759.00)

2,845,860.00

(27,213,424.00)

1,207,782.00

(23,159,962.00)

(207,671.00)

(23,387,633.00)

prior year reversal  
2000 P&L

Month	Opening Balance	(Inc)/Exp Interest Income	(IN)/Out Wires Margin	(Inc)/Exp Transaction Fees	(Inc)/Exp Future/Options P&S	(IN)/Out Net Option Premiums	Account Balance	(Inc)/Exp Open Equity Open Gains	Account Value	Option Value	Account Value	change In Liquidity	Monthly P&L	YTD P&L
Jan-00	-						-		-	-	-	-	-	-
Feb-00	-						-		-	-	-	-	-	-
Mar-00	-						-		-	-	-	-	-	-
Apr-00	-						-		-	-	-	-	-	-
May-00	-						-		-	-	-	-	-	-
Jun-00	-		(509,210.00)	4,000.00	505,210.00		-		-	-	-	-	(509,210.00)	(509,210.00)
Jul-00	-		22,622.00	18,128.00	(40,750.00)		-		-	-	-	-	22,622.00	(486,588.00)
Aug-00	-						-		-	-	-	-	-	-
Sep-00	-						-		-	-	-	-	-	-
Oct-00	-						-		-	-	-	-	-	-
Nov-00	-						-		-	-	-	-	-	-
Dec-00	-		(39,050.00)	3,600.00	35,450.00		-		-	-	-	-	(39,050.00)	(39,050.00)
YTD			(525,638.00)	25,728.00	499,910.00									

1/31/06 14:28

499,910.00

25,728.00

2000 P & L

525,638.00

## JANUARY 1 - DECEMBER 31, 2000

YTD  
P&L

1,399,188.00

(2,048,685.49)



**EMC Securities at Market**

**12/31/00**

**A/C 421-00934**

**Exhibit E**

**Equities & Options**

	Quantity	Market	Market Value	Cost	Unrealized	Realized	Accrued Income
Chesapeake Energy Corp	114,100	10.12500	1,155,262.50	744,847.77	410,414.73	-	-
COHO Energy Inc	5,087	3.25000	16,532.75	54,464.77	(37,932.02)	-	-
Houston Exploration Co	15,000	38.12500	571,875.00	381,658.91	190,216.09	-	-
Meridian Resource Corp	28,200	8.62500	243,225.00	183,345.18	59,879.82	-	-
Nasdaq 100	100,000	58.37500	5,837,500.00	6,120,789.80	(283,289.80)	-	-
Sun Microsystems	25,000	27.87500	696,875.00	732,816.45	(35,941.45)	-	-
			8,521,270.25	8,217,922.88	303,347.37	-	-

**CASH**

Boston Advisors MMKT	3,494,166	1.0000	3,494,166.33	3,494,166.33	-	-	-
Credit Balance	-	1.0000	-	-	-	-	-
Debit Balance	-	1.0000	(3,056,844.70)	(3,056,844.70)	-	-	-
			437,321.63	437,321.63	-	-	-

**Taxable Fixed Income**

Level 3 Communications	1,000,000	89.50%	895,000.00	918,750.00	(23,750.00)	-	31,777.80
Nextlink	1,000,000	84.00%	840,000.00	855,000.00	(15,000.00)	-	8,361.10
Worldwide Fiber	1,250,000	78.00%	975,000.00	1,000,000.00	(25,000.00)	-	61,666.63
Nextel Communications	1,000,000	94.50%	945,000.00	982,500.00	(37,500.00)	-	11,458.30
Williams Comm Group	2,000,000	80.50%	1,610,000.00	1,640,000.00	(30,000.00)	-	93,020.80
Columbia/HCA	350,000	86.73%	303,555.00	287,000.00	16,555.00	-	7,664.23
Toro Corp	350,000	95.13%	332,965.50	315,000.00	17,965.50	-	1,061.66
Ford Motor Corp	1,500,000	81.82%	1,227,330.00	1,288,845.00	(61,515.00)	-	39,312.45
			7,128,850.50	7,287,095.00	(158,244.50)	-	254,322.97

**COMBINED TOTALS**

**16,087,442.38      15,942,339.51      145,102.87      -      254,322.97**

Unsettled  
cash balance after unsettled purchases      6,534,375.00      6,853,606.25      (319,231.25)

Advest  
unsettled      9,553,067.38  
(319,231.25)  
9,233,836.13

**F**

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**ENERGY MERCHANT CORPORATION**  
**Form 1120 US Corporation Income Tax Return**  
**Schedule M-1 and M-3 Analysis**

	<b>Income Before Federal Tax Per Books</b>	<b>Income Before Federal Tax Per Tax Return</b>
<b>1999</b>	\$ 4,544,502	\$ 4,501,836
<b>2000</b>	12,782,745	10,529,169
<b>2001</b>	1,131,990	(5,583,075)
<b>2002</b>	(5,789,014)	(6,206,941)
<b>2003</b>	(18,319,828)	(8,626,375)
<b>2004</b>	2,132,492	2,188,437
	<u><u>\$ (3,517,113)</u></u>	<u><u>\$ (3,196,949)</u></u>





**ENERGY MERCHANT CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

<b>Other Current Assets</b>	<b>2002</b>	<b>2003</b>
I/C EM Inv Fund LLC	\$ 7,000	\$ -
I/C EMAC	975,888	-
A/R I/C & OTHER:I/C WTL	1,542,722	-
A/R I/C & OTHER:I/C EML	304,901	-
A/R I/C & OTHER:I/C SPC	377,987	502,047
	<u>\$ 3,208,498</u>	<u>\$ 502,047</u>

H

Form **1065** Department of the Treasury Internal Revenue Service **U.S. Return of Partnership Income 2002**

See separate instructions.

IRS use only — Do not write or staple in this space.

For calendar year 2002, or tax year beginning , 2002, and ending , 20 OMB No. 1545-0099

<b>A</b> Principal business activity		<b>Use the IRS label. Otherwise, print or type.</b>	<b>ENERGY MERCHANT ADVISORY CO., LLC</b> 126 EAST 56TH ST, 33 FLR NEW YORK, NY 10022	<b>D</b> Employer identification number
<b>INVESTMENTS</b>	06-1601720			
<b>B</b> Principal product or service	<b>E</b> Date business started			
<b>ADVISORS</b>	1/01/2001			
<b>C</b> Business code number	523900			<b>F</b> Total assets (see instrs)
				\$ 786,723.

**G** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

**H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) . . . . .

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. . . . . 2

**Caution:** Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>I N C O M E</b>	<b>1a</b> Gross receipts or sales . . . . .	<b>1a</b>	
	<b>b</b> Less returns and allowances . . . . .	<b>1b</b>	<b>1c</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8) . . . . .	<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c . . . . .	<b>3</b>	
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) . . . . .	<b>4</b>	
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . .	<b>5</b>	
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18 . . . . .	<b>6</b>	
	<b>7</b> Other income (loss) (attach schedule) . . . . .	<b>7</b>	
<b>8</b> Total income (loss). Combine lines 3 through 7 . . . . .	<b>8</b>		
<b>S E E I N S T R U C T I O N S F O R L I M I T A T I O N S</b>	<b>9</b> Salaries and wages (other than to partners) (less employment credits) . . . . .	<b>9</b>	
	<b>10</b> Guaranteed payments to partners . . . . .	<b>10</b>	
	<b>11</b> Repairs and maintenance . . . . .	<b>11</b>	
	<b>12</b> Bad debts . . . . .	<b>12</b>	
	<b>13</b> Rent . . . . .	<b>13</b>	
	<b>14</b> Taxes and licenses . . . . .	<b>14</b>	
	<b>15</b> Interest . . . . .	<b>15</b>	
	<b>16a</b> Depreciation (if required, attach Form 4562) . . . . .	<b>16a</b>	
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return . . . . .	<b>16b</b>	<b>16c</b>
	<b>17</b> Depletion (Do not deduct oil and gas depletion.) . . . . .	<b>17</b>	
	<b>18</b> Retirement plans, etc. . . . .	<b>18</b>	
	<b>19</b> Employee benefit programs . . . . .	<b>19</b>	
	<b>20</b> Other deductions (attach schedule) . . . . . See Statement 1	<b>20</b>	732,381.
<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20 . . . . .	<b>21</b>	732,381.	
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8 . . . . .	<b>22</b>	-732,381.	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member

Date

May the IRS discuss this return with the preparer shown below (see instrs)? ☒ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed. ☒

Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code

Charles F. Curcio, CPA  
PO Box 549  
Bel Air, MD 21014

EIN 23-2469983

Phone no. (410) 893-2768

**SCHEDULE A** Cost of Goods Sold (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases less cost of items withdrawn for personal use.....	2	
3	Cost of labor.....	3	
4	Additional section 263A costs (attach schedule).....	4	
5	Other costs (attach schedule).....	5	
6	<b>Total.</b> Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2.....	8	

## 9a Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3  
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
 (iii) ☐ Other (specify method used and attach explanation).....

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c)..... ☐ Yes ☐ Noc Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)..... ☐ Yes ☐ Nod Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership?..... ☐ Yes ☐ Noe Was there any change in determining quantities, cost, or valuations between opening and closing inventory?..... ☐ Yes ☐ No

If 'Yes', attach explanation.

**SCHEDULE B** Other Information

		Yes	No
1 What type of entity is filing this return? Check the applicable box:			
a <input type="checkbox"/>	Domestic general partnership		
b <input type="checkbox"/>	Domestic limited partnership		
c <input checked="" type="checkbox"/>	Domestic limited liability company		
d <input type="checkbox"/>	Domestic limited liability partnership		
e <input type="checkbox"/>	Foreign partnership		
f <input type="checkbox"/>	Other.....		
2 Are any partners in this partnership also partnerships?.....			X
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment.....			X
4 Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If 'Yes,' see Designation of Tax Matters Partner below.....			X
5 Does this partnership meet all three of the following requirements? a The partnership's total receipts for the tax year were less than \$250,000; b The partnership's total assets at the end of the tax year were less than \$600,000; and c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1.....			X
6 Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions.....			X
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?.....			X
8 Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter?.....			X
9 At any time during calendar year 2002, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country.....			X
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions.....			X
11 Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described in the instructions under Elections Made By the Partnership.....			X
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return.....		0	

**Designation of Tax Matters Partner** (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ► ENERGY MERCHANT HOLDING INC

Identifying number of TMP ► 13-4104912

Address of designated TMP ► 126 EAST 56TH ST, 33 FLR  
NEW YORK, NY 10022

**Partners' Shares of Income, Credits, Deductions, etc**

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-732,381.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach sch)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss): a Interest income	4a	3.
	b Ordinary dividends	4b	
	c Royalty income	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e (1)	
	(2) 28% rate gain (loss) (3) Qualified 5-year gain		
f Other portfolio income (loss) (attach schedule)	4f		
5 Guaranteed payments to partners	5		
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6		
7 Other income (loss)	7		
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
Credits	11 Other deductions	11	
	12a Low-income housing credit:		
	(1) From partnerships to which section 42(j)(5) applies	12a (1)	
	(2) Other than on line 12a(1)	12a (2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c		
d Credits related to other rental activities	12d		
13 Other credits	13		
Investment Interest	14a Interest expense on investment debts	14a	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)	3.
	(2) Investment expenses included on line 10 above	14b (2)	
Self-Employment	15a Net earnings (loss) from self-employment	15a	
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d (1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)	
	e Other adjmnts & tax pref items	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17d (3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense (2) Other	17e (2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17f (3)	
	g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
h Reduction in taxes available for credit (attach schedule)	17h		
Other	18 Section 59(e)(2) expenditures: a Type b Amount	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	
	24 Other items and amounts required to be reported separately to partners (attach schedule)		

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b.						1	-732,378.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	-73,238.	-659,140.					

Note: schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered 'Yes.'

Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		500.		489.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach schedule). See St. 2.		201,643.		786,234.
7	Mortgage and real estate loans				
8	Other investments (attach schedule)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach schedule)				
14	<b>Total assets</b>		202,143.		786,723.
<b>Liabilities and Capital</b>					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach sch). See St. 3.		243,521.		975,888.
18	All nonrecourse loans				
19	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach schedule)				
21	Partners' capital accounts		-41,378.		-189,165.
22	<b>Total liabilities and capital</b>		202,143.		786,723.

**Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

1	Net income (loss) per books	-732,378.	6	Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2	Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a	Tax-exempt interest	\$
3	Guaranteed prmts (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a	Depreciation	\$
a	Depreciation	\$	8	Add lines 6 and 7	
b	Travel and entertainment	\$	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	-732,378.
5	Add lines 1 through 4	-732,378.			

**Schedule M-2 Analysis of Partners' Capital Accounts**

1	Balance at beginning of year	-41,378.	6	Distributions:	a Cash	
2	Capital contributed:	584,591.	b	Property		
a	Cash		7	Other decreases (itemize):		
b	Property		8	Add lines 6 and 7		
3	Net income (loss) per books	-732,378.	9	Balance at end of year. Subtract line 8 from line 5		-189,165.
4	Other increases (itemize):					
5	Add lines 1 through 4	-189,165.				

**Schedule K-1**  
**(Form 1065)**

**Partner's Share of Income, Credits, Deductions, etc**

OMB No. 1545-0099

**2002**

Department of the Treasury  
Internal Revenue Service

For calendar year 2002 or tax year

beginning

, 2002, and ending

, 20

Partner's identifying number ▶ 13-4104912

Partnership's identifying number ▶ 06-1601720

Partner's name, address, and ZIP code

ENERGY MERCHANT HOLDING INC  
126 EAST 56TH ST, 33 FLR  
NEW YORK, NY 10022

Partnership's name, address, and ZIP code

ENERGY MERCHANT ADVISORY CO., LLC  
126 EAST 56TH ST, 33 FLR  
NEW YORK, NY 10022

A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? ▶ Corporation

C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's % of: (i) Before change or termination (ii) End of year  
Profit sharing ..... 10 % ..... 10 %  
Loss sharing ..... 10 % ..... 10 %  
Ownership of capital ..... % ..... %

E IRS Center where partnership filed return: Cincinnati, OH

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$ .....  
Qualified nonrecourse financing ..... \$ .....  
Other ..... \$ .....

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-24,302.		-73,238.		-97,540.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1 -73,238.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest	4a	Schedule B, Part I, line 1
	b Ordinary dividends	4b	Schedule B, Part II, line 5
	c Royalties	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss)	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss)	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain	4e(3)	Line 5 of worksheet for Sch D, line 29
	f Other portfolio income (loss) (attach schedule)	4f	Enter on applicable line of your return
	5 Guaranteed payments to partner	5	
Deductions	6 Net section 1231 gain (loss) (other than due to casualty or theft)	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule)	7	Enter on applicable line of your return
	8 Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction	9	
	10 Deductions related to portfolio income (attach schedule)	10	See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule)	11	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships	12a(1)	Form 8586, line 5
Credits	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

**Schedule K-1**  
**(Form 1065)**

Department of the Treasury  
Internal Revenue Service

**Partner's Share of Income, Credits, Deductions, etc**

For calendar year 2002 or tax year

beginning

, 2002, and ending

, 20

OMB No. 1545-0099

**2002**

Partner's identifying number ▶ 101-58-5760

Partner's name, address, and ZIP code

MICHAEL CORNISH  
369 FLORIDA HILL RD  
RIDGEFIELD, CT 06877

Partnership's identifying number ▶ 06-1601720

Partnership's name, address, and ZIP code

ENERGY MERCHANT ADVISORY CO., LLC  
126 EAST 56TH ST, 33 FLR  
NEW YORK, NY 10022

A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? ▶ Individual

C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's % of: (i) Before change or termination (ii) End of year  
Profit sharing ..... 90 % ..... 90 %  
Loss sharing ..... 90 % ..... 90 %  
Ownership of capital ..... % ..... %

E IRS Center where partnership filed return: Cincinnati, OH

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$ .....  
Qualified nonrecourse financing ..... \$ .....  
Other ..... \$ .....

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-17,076.	584,591.	-659,140.		-91,625.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities.....	1 -659,143.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a 3.	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 5 of worksheet for Sch D, line 29
Deductions	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable line of your return
	5 Guaranteed payments to partner.....	5	
	6 Net section 1231 gain (loss) (other than due to casualty or theft).....	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7	Enter on applicable line of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
Credits	9 Section 179 expense deduction.....	9	
	10 Deductions related to portfolio income (attach schedule).....	10	See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule).....	11	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships.....	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002



	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1) 3.	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments & tax preference items (attach sch.)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive	17f(1)	
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type		See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	
	24 Recapture of low-income housing credit:		Form 8611, line 8
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

2002

## Federal Statements

Page 1

Client 22

ENERGY MERCHANT ADVISORY CO., LLC

06-1601720

2/05/03

04:34PM

Statement 1  
Form 1065, Line 20  
Other Deductions

ALLOCATED EXPENSES.....	\$	732,366.
Bank Charges.....		15.
Total	\$	<u>732,381.</u>

Statement 2  
Form 1065, Schedule L, Line 6  
Other Current Assets

	<u>Beginning</u>	<u>Ending</u>
DUE FROM EMC CC.....	\$ 201,643.	\$ 786,234.
Total	<u>\$ 201,643.</u>	<u>\$ 786,234.</u>

Statement 3  
Form 1065, Schedule L, Line 17  
Other Current Liabilities

	<u>Beginning</u>	<u>Ending</u>
DUE TO EMC.....	\$ 500.	\$ 500.
DUE TO EMMC.....	243,021.	975,388.
Total	<u>\$ 243,521.</u>	<u>\$ 975,888.</u>

Form **1065****U.S. Return of Partnership Income**

OMB No. 1545-0099

For calendar year 2003, or tax year beginning ..... and ending .....

**2003**Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

<b>A</b> Principal business activity  <b>INVESTMENTS</b>	Use the IRS label. Otherwise, print or type.	Name of partnership  <b>ENERGY MERCHANT ADVISORY CO., LLC</b>	<b>D</b> Employer identification number  <b>06-1601720</b>
<b>B</b> Principal product or service <b>ADVISORS</b>		Number, street, and room or suite no. If a P.O. box, see page 14 of the instructions. <b>369 FLORIDA HILL RD</b>	<b>E</b> Date business started <b>1/01/01</b>
<b>C</b> Business code number <b>523900</b>		City or town, state, and ZIP code <b>RIDGEFIELD CT 06877</b>	<b>F</b> Total assets (see page 14 of the instructions) <b>\$ 470</b>

- G** Check applicable boxes: (1) ☐ Initial return (2) ☒ Final return (3) ☐ Name change (4) ☒ Address change (5) ☐ Amended return
- H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) ▶ .....
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ ..... **2**

**Caution:** Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>Income</b>	<b>1a</b> Gross receipts or sales	<b>1a</b>		
	<b>b</b> Less returns and allowances	<b>1b</b>		<b>1c</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8)			<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b>
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach sch.)			<b>4</b>
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040))			<b>5</b>
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18			<b>6</b>
	<b>7</b> Other income (loss) (attach schedule)			<b>7</b>
<b>8</b> Total income (loss). Combine lines 3 through 7			<b>8</b>	
<b>Deductions</b> (see page 15 of the instructions for limitations)	<b>9</b> Salaries and wages (other than to partners) (less employment credits)			<b>9</b>
	<b>10</b> Guaranteed payments to partners			<b>10</b>
	<b>11</b> Repairs and maintenance			<b>11</b>
	<b>12</b> Bad debts			<b>12</b>
	<b>13</b> Rent			<b>13</b>
	<b>14</b> Taxes and licenses			<b>14</b>
	<b>15</b> Interest			<b>15</b>
	<b>16a</b> Depreciation (if required, attach Form 4562)	<b>16a</b>		
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return	<b>16b</b>		<b>16c</b>
	<b>17</b> Depletion (Do not deduct oil and gas depletion.)			<b>17</b>
	<b>18</b> Retirement plans, etc.			<b>18</b>
	<b>19</b> Employee benefit programs			<b>19</b>
<b>20</b> Other deductions (attach schedule)	<b>SEE STMT 1</b>	<b>20</b>	<b>231,312</b>	
<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20		<b>21</b>	<b>231,312</b>	
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8		<b>22</b>	<b>-231,312</b>	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

**Sign Here**

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

Signature of general partner or limited liability company member

Date

**Paid Preparer's Use Only**

Preparer's signature	Date <b>1/25/06</b>	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN <b>P00319104</b>
Firm's name (or yours, if self-employed), address, and ZIP code	<b>JEFFERSON, URIAN, DOANE &amp; STERNER, P.A. PO BOX 477 OCEAN VIEW, DE 19970-0477</b>	EIN ▶ <b>51-0212284</b>	Phone no. <b>302-539-5543</b>

or Paperwork Reduction Act Notice, see separate instructions.

Form **1065** (2003)

**Schedule A Cost of Goods Sold** (see page 18 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(I) ☐ Cost as described in Regulations section 1.471-3

(II) ☐ Lower of cost or market as described in Regulations section 1.471-4

(III) ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

**Schedule B Other Information**

1	What type of entity is filing this return? Check the applicable box:	Yes	No
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other ▶		
2	Are any partners in this partnership also partnerships?		X
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4	Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If "Yes," see <b>Designation of Tax Matters Partner</b> below		X
5	Does this partnership meet all three of the following requirements? a The partnership's total receipts for the tax year were less than \$250,000; b The partnership's total assets at the end of the tax year were less than \$600,000; and c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1	X	
6	Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See page 20 of the instructions		X
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		X
8	Has this partnership filed, or is it required to file, <b>Form 8264</b> , Application for Registration of a Tax Shelter?		X
9	At any time during calendar year 2003, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		X
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See page 20 of the instructions		X
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <b>Elections Made By the Partnership</b> on page 9 of the instructions		X
12	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ▶		

**Designation of Tax Matters Partner** (see page 20 of the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP	<b>MICHAEL S CORNISH</b>	Identifying number of TMP	<b>101-58-5760</b>
Address of designated TMP	<b>369 FLORIDA HILL RD</b>		
	<b>RIDGEFIELD CT 06877</b>		

**Schedule K Partners' Shares of Income, Credits, Deductions, etc.**

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-231,312
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach schedule)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss) (attach Schedule D (Form 1065) for lines 4d and 4e):		
	a Interest income	4a	
	b Dividends: (1) Qualified dividends (2) Total ordinary dividends	4b(2)	
	c Royalty income	4c	
	d Net short-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4d(2)	
	e Net long-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4e(2)	
	f Other portfolio income (loss) (attach schedule)	4f	
	5 Guaranteed payments to partners	5	
	6a Net section 1231 gain (loss) (post-May 5, 2003) (attach Form 4797)	6a	
b Net section 1231 gain (loss) (entire year) (attach Form 4797)	6b		
7 Other income (loss) (attach schedule)	7		
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions (attach schedule)	11	
Credits	12a Low-income housing credit: (1) From partnerships to which section 42(j)(5) applies (2) Other than on line 12a(1)	12a(1) 12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	
Investment Interest	14a Interest expense on investment debts	14a	
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above (2) Investment expenses included on line 10 above	14b(1) 14b(2)	
Self- Employ- ment	15a Net earnings (loss) from self-employment	15a	-208,181
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
Adjust- ments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties (2) Deductions allocable to oil, gas, and geothermal properties	16d(1) 16d(2)	
	e Other adjustments and tax preference items (attach schedule)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level: (1) Passive (2) Listed categories (attach schedule) (3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level: (1) Interest expense (2) Other	17e(2)	
	f Deductions allocated & apptn. at ptrnshp. level to foreign source income: (1) Passive (2) Listed categories (attach schedule) (3) General limitation	17f(3)	
	g Total foreign taxes (check one): Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	17g	
	h Reduction in taxes available for credit (attach schedule)	17h	
Other	18 Section 59(e)(2) expenditures: a Type b Amount	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	1,013,288
	23 Distributions of property other than money	23	
	24 Other items and amounts required to be reported separately to partners (attach schedule)		

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b						1	-231,312
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	-23,131		-208,181				

**Note:** Schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			489		470
2a Trade notes and accounts receivable					
b Less allowance for bad debts					
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets (attach schedule)	SEE STMT 2		786,234		
7 Mortgage and real estate loans					
8 Other investments (attach schedule)					
9a Buildings and other depreciable assets					
b Less accumulated depreciation					
10a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)					
12a Intangible assets (amortizable only)					
b Less accumulated amortization					
13 Other assets (attach schedule)					
14 Total assets			786,723		470
Liabilities and Capital					
15 Accounts payable					
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach schedule)	SEE STMT 3		975,888		
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more					
20 Other liabilities (attach schedule)					
21 Partners' capital accounts			-189,165		470
22 Total liabilities and capital			786,723		470

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

1 Net income (loss) per books	-231,312	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Sch. K, ln. 1 through 4, 6b, and 7, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	
5 Add lines 1 through 4	-231,312		-231,312

**Schedule M-2 Analysis of Partners' Capital Accounts**

1 Balance at beginning of year	-189,165	6 Distributions: a Cash	1,013,288
2 Capital contributed: a Cash	1,434,235	b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	-231,312	8 Add lines 6 and 7	1,013,288
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5	470
5 Add lines 1 through 4	1,013,758		

**Federal Statements****Statement 1 - Form 1065, Page 1, Line 20 - Other Deductions**

<u>Description</u>	<u>Amount</u>
ALLOCATED EXPENSES	\$ 231,294
BANK CHARGES	18
TOTAL	<u>\$ 231,312</u>

**Federal Statements**

FYE: 12/31/2003

**Statement 2 - Form 1065, Schedule L, Line 6 - Other Current Assets**

Description	Beginning of Year	End of Year
DUE FROM EMC CC	\$ 786,234	\$
TOTAL	\$ 786,234	\$ 0

**Statement 3 - Form 1065, Schedule L, Line 17 - Other Current Liabilities**

Description	Beginning of Year	End of Year
DUE TO EMC	\$ 500	\$
DUE TO EMMC	975,388	
TOTAL	\$ 975,888	\$ 0



Form  
**CT-1065****CT Partner's Share of Modifications and Source Items Worksheet****2003****Schedule K-1**

For calendar year 2003, or other taxable year beginning

and ending

Partner's ID no. **101-58-5760**

CT Tax Registration No.

Partnership's ID no. **06-1601720**

Partner's name, address, and ZIP code

**MICHAEL S CORNISH**  
**369 FLORIDA HILL RD**  
**RIDGEFIELD CT 06877**

Partnership's name, address, and ZIP code

**ENERGY MERCHANT ADVISORY CO., LLC**  
**369 FLORIDA HILL RD**  
**RIDGEFIELD CT 06877**

Resident ☒  
 Nonresident ☐  
 Amended ☐  
 Final ☒  
 Composite filer ☐  
 Taxes paid on behalf of nonresident partner \_\_\_\_\_

Partner's percentage of:	Before change or termination	End of Year
Profit sharing	%	90.000000%
Loss sharing	%	90.000000%
Ownership of capital	%	90.000000%

**Schedule D - Modifications To Federal Items****Additions:**

- 1 Interest on state and local obligations other than obligations of Connecticut \_\_\_\_\_
- 2 Exempt-interest dividends on state and local obligations other than Connecticut \_\_\_\_\_
- 3 Certain deductions relating to income exempt from Connecticut income tax \_\_\_\_\_
- 4 Special depreciation allowance for qualified property placed in service during this year \_\_\_\_\_
- 5 Other additions \_\_\_\_\_

**Subtractions:**

- 6 Interest on U.S. obligations \_\_\_\_\_
- 7 Dividends from certain mutual funds owning U.S. obligations \_\_\_\_\_
- 8 Certain expenses relating to income exempt from federal income tax \_\_\_\_\_
- 9 Special depr allowance for qualified property placed in service during the preceding year \_\_\_\_\_
- 10 Other subtractions \_\_\_\_\_

**Schedule E - Connecticut Source Income**

- 1 Ordinary income (loss) from trade or business activities \_\_\_\_\_
- 2 Net income or (loss) from rental real estate activities \_\_\_\_\_
- 3 Net income or (loss) from other rental activities \_\_\_\_\_
- 4 Portfolio income (loss) \_\_\_\_\_
- 5 Guaranteed payments to partners \_\_\_\_\_
- 6 Net gain (loss) under IRC section 1231 \_\_\_\_\_
- 7 Other income (loss) \_\_\_\_\_
- 8 Expense deduction for property under IRC section 179 \_\_\_\_\_
- 9 Other deductions \_\_\_\_\_

**Supplemental Information**

Form  
**CT-1065****CT Partner's Share of Modifications and Source Items Worksheet****2003****Schedule K-1**

For calendar year 2003, or other taxable year beginning

and ending

Partner's ID no. **51-0383350**

CT Tax Registration No.

Partnership's ID no. **06-1601720**

Partner's name, address, and ZIP code

**EMC CAPITAL CORP**  
**ENERGY MERCHANT HOLDING INC**  
**126 EAST 56TH ST, 33 FLOOR**  
**NEW YORK NY 10022**

Partnership's name, address, and ZIP code

**ENERGY MERCHANT ADVISORY CO., LLC**  
**369 FLORIDA HILL RD**  
**RIDGEFIELD CT 06877**

Resident ..... ☐  
 Nonresident ..... ☒  
 Amended ..... ☐  
 Final ..... ☒  
 Composite filer ..... ☐  
 Taxes paid on behalf of nonresident partner .....

Partner's percentage of:	Before change or termination	End of Year
Profit sharing .....	% 10.000000%	
Loss sharing .....	% 10.000000%	
Ownership of capital .....	% 10.000000%	

**Schedule D - Modifications To Federal Items****Additions:**

- 1 Interest on state and local obligations other than obligations of Connecticut .....
- 2 Exempt-interest dividends on state and local obligations other than Connecticut .....
- 3 Certain deductions relating to income exempt from Connecticut income tax .....
- 4 Special depreciation allowance for qualified property placed in service during this year .....
- 5 Other additions .....

**Subtractions:**

- 6 Interest on U.S. obligations .....
- 7 Dividends from certain mutual funds owning U.S. obligations .....
- 8 Certain expenses relating to income exempt from federal income tax .....
- 9 Special depr allowance for qualified property placed in service during the preceding year .....
- 10 Other subtractions .....

**Schedule E - Connecticut Source Income**

- 1 Ordinary income (loss) from trade or business activities .....
- 2 Net income or (loss) from rental real estate activities .....
- 3 Net income or (loss) from other rental activities .....
- 4 Portfolio income (loss) .....
- 5 Guaranteed payments to partners .....
- 6 Net gain (loss) under IRC section 1231 .....
- 7 Other income (loss) .....
- 8 Expense deduction for property under IRC section 179 .....
- 9 Other deductions .....

**Supplemental Information**

I

OMB No. 1545-0123

2003

Form 1120

## U.S. Corporation Income Tax Return

For calendar year 2003 or tax year beginning ending

Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

Department of the Treasury  
Internal Revenue Service

<b>A Check if a:</b> 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c)- see instructions) <input type="checkbox"/>	<b>Use IRS label. Otherwise, print or type.</b>	<b>Name</b> Number, street, and room or suite no. City or town, state, and ZIP code <b>ENERGY MERCHANT HOLDING INC</b>  <b>126 EAST 56TH ST, 33RD FLOOR</b> <b>NEW YORK NY 10022</b>	<b>B Employer identification number</b> <b>13-4104912</b>
			<b>C Date incorporated</b> <b>12/07/99</b>
		<b>D Total assets (see page 8 of instructions)</b> <b>-1,285,574</b>	

**E Check applicable boxes:** (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change \$

<b>Income</b>	<b>1a</b> Gross rcpt./sales			<b>b</b> Less returns & allowances			<b>c</b> Bal ▶	<b>1c</b>	
	<b>2</b> Cost of goods sold (Schedule A, line 8)							<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c							<b>3</b>	
	<b>4</b> Dividends (Schedule C, line 19)							<b>4</b>	13,112,269
	<b>5</b> Interest							<b>5</b>	28,159
	<b>6</b> Gross rents							<b>6</b>	
	<b>7</b> Gross royalties							<b>7</b>	
	<b>8</b> Capital gain net income (attach Sch. D (Form 1120))							<b>8</b>	1,770,733
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)							<b>9</b>	
	<b>10</b> Other income (see page 9 of instructions-attach schedule)			SEE STMT 1,2				<b>10</b>	-8,162,938
	<b>11</b> Total income. Add lines 3 through 10							<b>11</b>	6,748,223
<b>Deductions</b> (See instructions for limitations on deductions.)	<b>12</b> Compensation of officers (Schedule E, line 4)							<b>12</b>	
	<b>13</b> Salaries and wages (less employment credits)							<b>13</b>	
	<b>14</b> Repairs and maintenance							<b>14</b>	
	<b>15</b> Bad debts							<b>15</b>	
	<b>16</b> Rents							<b>16</b>	
	<b>17</b> Taxes and licenses							<b>17</b>	
	<b>18</b> Interest							<b>18</b>	
	<b>19</b> Charitable contributions (see page 11 of instructions for 10% limitation)							<b>19</b>	
	<b>20</b> Depreciation (attach Form 4562)	<b>20</b>							
	<b>21</b> Less depreciation claimed on Schedule A and elsewhere on return	<b>21a</b>						<b>21b</b>	
	<b>22</b> Depletion							<b>22</b>	
<b>23</b> Advertising							<b>23</b>		
<b>24</b> Pension, profit-sharing, etc., plans							<b>24</b>		
<b>25</b> Employee benefit programs							<b>25</b>		
<b>26</b> Other deductions (attach schedule)							<b>26</b>		
<b>27</b> Total deductions. Add lines 12 through 26							<b>27</b>		
<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11							<b>28</b>	6,748,223	
<b>29</b> Less: a Net operating loss (NOL) deduction (see page 13 of instructions)	<b>29a</b>								
<b>b</b> Special deductions (Schedule C, line 20)	<b>29b</b>	13,112,269					<b>29c</b>	13,112,269	
<b>30</b> Taxable income. Subtract line 29c from line 28							<b>30</b>	-6,364,046	
<b>31</b> Total tax (Schedule J, line 11)							<b>31</b>	0	
<b>Tax and payments</b>	<b>32</b> Payments:								
	a 2002 overpayment credited to 2003	<b>32a</b>							
	b 2003 estimated tax payments	<b>32b</b>							
	c Less 2003 refund applied for on Form 4466	<b>32c</b>							
	d Bal ▶	<b>32d</b>							
	e Tax deposited with Form 7004	<b>32e</b>							
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	<b>32f</b>							
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	<b>32g</b>						<b>32h</b>	
	<b>33</b> Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached							<b>33</b>	
	<b>34</b> Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed							<b>34</b>	
<b>35</b> Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid							<b>35</b>		
<b>36</b> Enter amt. of line 35 you want: Credited to 2004 estimated tax							<b>36</b>		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see instr.)? ☒ Yes ☐ No

Signature of officer

Date

Title

Preparer's signature

Date

Check if self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours)

JEFFERSON, URIAN, DOANE &amp; STERNER, P.A.

EIN

51-0212284

If self-employed,

PO BOX 477

Phone no.

OCEAN VIEW, DE

19970-0477

302-539-5543

**Schedule A**      **Cost of Goods Sold** (see page 14 of instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 2, page 1	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

**Schedule C Dividends and Special Deductions** (see instructions beginning on page 15)

1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instr.	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9	<b>Total.</b> Add lines 1 through 8. See page 16 of instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	13,112,269	100	13,112,269
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up (section 78)			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	<b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1	13,112,269		
20	<b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1			13,112,269

**Schedule E Compensation of Officers** (see instructions for line 12, page 1, on page 10 of instructions)

**Note:** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
		%	%		%
		%	%		%
		%	%		%
		%	%		%
		%	%		%
Total compensation of officers .....					
Compensation of officers claimed on Schedule A and elsewhere on return .....					
Subtract line 3 from line 2. Enter the result here and on line 12, page 1 .....					

Form 1120 (2003) **ENERGY MERCHANT HOLDING INC****13-4104912**Page **3****Schedule J Tax Computation (see page 17 of instructions)**

<b>1</b>	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input checked="" type="checkbox"/>		
<b>Important:</b> Members of a controlled group, see instructions on page 17.			
<b>2a</b>	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1)	\$ <b>50,000</b>	(2)	\$ <b>25,000</b>
(3)	\$ <b>9,925,000</b>		
<b>b</b>	Enter the corporation's share of:	(1) Additional 5% tax (not more than \$11,750)	\$
		(2) Additional 3% tax (not more than \$100,000)	\$
<b>3</b>	Income tax. Check if a qualified personal service corp. under section 448(d)(2) (see page 17) <input type="checkbox"/>	<b>3</b>	<b>0</b>
<b>4</b>	Alternative minimum tax (attach Form 4626)	<b>4</b>	
<b>5</b>	Add lines 3 and 4	<b>5</b>	<b>0</b>
<b>6a</b>	Foreign tax credit (attach Form 1118)	<b>6a</b>	
<b>b</b>	Possessions tax credit (attach Form 5735)	<b>6b</b>	
<b>c</b>	Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (att. Form 8834)	<b>6c</b>	
<b>d</b>	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) <b>▶</b>	<b>6d</b>	
<b>e</b>	Credit for prior year minimum tax (attach Form 8827)	<b>6e</b>	
<b>f</b>	Qualified zone academy bond credit (attach Form 8860)	<b>6f</b>	
<b>7</b>	<b>Total credits.</b> Add lines 6a through 6f	<b>7</b>	
<b>8</b>	Subtract line 7 from line 5	<b>8</b>	
<b>9</b>	Personal holding company tax (attach Schedule PH (Form 1120))	<b>9</b>	
<b>10</b>	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	<b>10</b>	
<b>11</b>	<b>Total tax.</b> Add lines 8 through 10. Enter here and on line 31, page 1	<b>11</b>	<b>0</b>

**Schedule K Other Information (see page 19 of instructions)**

<b>1</b>	Check method of accounting: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) <b>▶</b>	<b>Yes</b>	<b>No</b>	<b>7</b>	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned <b>▶</b> and (b) Owner's country <b>▶</b>	<b>Yes</b>	<b>No</b>
<b>2</b>	See page 21 of the instructions and enter the: a Business activity code no. <b>▶ 525990</b> b Business activity <b>▶ HOLDING COMPANY</b> c Product or service <b>▶ MANAGEMENT</b>						<b>X</b>
<b>3</b>	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. <b>STMT 3</b>	<b>X</b>		<b>8</b>	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
<b>4</b>	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corp. <b>▶ 13-3855623</b> <b>ENERGY MERCHANT CORP</b>	<b>X</b>		<b>9</b>	Enter the amount of tax-exempt interest received or accrued during the tax year <b>▶ \$ 0</b>		
<b>5</b>	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) <b>STMT 4</b>	<b>X</b>		<b>10</b>	Enter the number of shareholders at the end of the tax year (if 75 or fewer) <b>▶ 1</b>		
<b>6</b>	If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned <b>▶ 100.000</b> During this tax year, did the corp. pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file <b>Form 5452</b> , Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on <b>Form 851</b> , Affiliations Schedule, for each subsidiary.		<b>X</b>	<b>11</b>	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input checked="" type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T (b)(3)(i) or (ii) must be attached or the election will not be valid.		
				<b>12</b>	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) <b>▶ \$</b>		
				<b>13</b>	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?		<b>X</b>

**te:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Form 1120 (2003) **ENERGY MERCHANT HOLDING INC****13-4104912**Page **4****Note:** The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

<b>Schedule L Balance Sheets per Books</b>		<b>Beginning of tax year</b>		<b>End of tax year</b>	
<b>Assets</b>		<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>1</b>	Cash				<b>-1</b>
<b>2a</b>	Trade notes and accounts receivable				
<b>b</b>	Less allowance for bad debts				
<b>3</b>	Inventories				
<b>4</b>	U.S. government obligations				
<b>5</b>	Tax-exempt securities (see instructions)				
<b>6</b>	Other current assets				
<b>7</b>	Loans to shareholders				
<b>8</b>	Mortgage and real estate loans				
<b>9</b>	Other investments <b>STMT 5</b>		<b>22,851,496</b>		<b>-1,285,573</b>
<b>10a</b>	Buildings and other depreciable assets				
<b>b</b>	Less accumulated depreciation				
<b>11a</b>	Depletable assets				
<b>b</b>	Less accumulated depletion				
<b>12</b>	Land (net of any amortization)				
<b>13a</b>	Intangible assets (amortizable only)				
<b>b</b>	Less accumulated amortization				
<b>14</b>	Other assets (attach sch.)				
<b>15</b>	<b>Total assets</b>		<b>22,851,496</b>		<b>-1,285,574</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>16</b>	Accounts payable				
<b>17</b>	Mortgages, notes, bonds payable in less than 1 year				
<b>18</b>	Other current liabilities				
<b>19</b>	Loans from shareholders				
<b>20</b>	Mortgages, notes, bonds payable in 1 year or more				
<b>21</b>	Other liabilities (att. sch.)				
<b>22</b>	Capital stock: <b>a</b> Preferred stock				
	<b>b</b> Common stock	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>23</b>	Additional paid-in capital		<b>19,450,483</b>		<b>22,343,205</b>
<b>24</b>	Retained earnings-Appropriated				
<b>25</b>	Retained earnings-Unappropriated		<b>3,400,513</b>		<b>-23,629,279</b>
<b>26</b>	Adjustments to SH equity				
<b>27</b>	Less cost of treasury stock				
<b>28</b>	<b>Total liabilities and shareholders' equity</b>		<b>22,851,496</b>		<b>-1,285,574</b>

<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 20 of instructions)</b>			
<b>1</b>	Net income (loss) per books	<b>-13,917,523</b>	<b>7</b> Income recorded on books this year not included on this return (itemize):
<b>2</b>	Federal income tax per books		Tax-exempt int. \$
<b>3</b>	Excess of capital losses over capital gains		<b>STMT 8</b> <b>2,009,155</b>
<b>4</b>	Income subject to tax not recorded on books this year (itemize): <b>STMT 6</b>	<b>13,112,269</b>	<b>8</b> Deductions on this return not charged against book income this year (itemize):
<b>5</b>	Expenses recorded on books this year not deducted on this return (itemize):		<b>a</b> Depreciation \$
<b>a</b>	Depreciation \$		<b>b</b> Charitable contributions \$
<b>b</b>	Charitable contributions \$		
<b>c</b>	Travel and entertainment \$		
<b>STMT 7</b>	<b>9,562,632</b>	<b>9,562,632</b>	<b>9</b> Add lines 7 and 8
<b>6</b>	Add lines 1 through 5	<b>8,757,378</b>	<b>10</b> Income (line 28, page 1)- line 6 less line 9
			<b>2,009,155</b>
			<b>6,748,223</b>

<b>Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)</b>			
<b>1</b>	Balance at beginning of year	<b>3,400,513</b>	<b>5</b> Distributions: <b>a</b> Cash
<b>2</b>	Net income (loss) per books	<b>-13,917,523</b>	<b>b</b> Stock
<b>3</b>	Other increases (itemize):		<b>c</b> Property
			<b>6</b> Other decreases (itemize):
			<b>7</b> Add lines 5 and 6
<b>4</b>	Add lines 1, 2, and 3	<b>-10,517,010</b>	<b>8</b> Balance at end of year (line 4 less line 7)
			<b>13,112,269</b>
			<b>-23,629,279</b>

**SCHEDULE D**  
**(Form 1120)**Department of the Treasury  
Internal Revenue Service**Capital Gains and Losses**▶ Attach to Form 1120, 1120-A, 1120-F, 1120-FSC, 1120-H,  
1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT,  
1120-RIC, 1120-SF, 990-C, or certain Forms 990-T.

OMB No. 1545-0123

**2003**

Name

Employer identification number

**ENERGY MERCHANT HOLDING INC****13-4104912****Part I Short-Term Capital Gains and Losses-Assets Held One Year or Less**

(a) Description of property (Example: 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) (Subtract (e) from (d))
1					
2 Short-term capital gain from installment sales from Form 6252, line 26 or 37					2
3 Short-term gain or (loss) from like-kind exchanges from Form 8824					3
4 Unused capital loss carryover (attach computation)					4
5 Net short-term capital gain or (loss). Combine lines 1 through 4					5

**Part II Long-Term Capital Gains and Losses-Assets Held More Than One Year**

6 PASS THROUGH ENTITY (SCH K-1)					1,770,733
7 Enter gain from Form 4797, column (g), line 7 or 9					7
8 Long-term capital gain from installment sales from Form 6252, line 26 or 37					8
9 Long-term gain or (loss) from like-kind exchanges from Form 8824					9
10 Capital gain distributions (see instructions)					10 0
11 Net long-term capital gain or (loss). Combine lines 6 through 10					11 1,770,733

**Part III Summary of Parts I and II**

12 Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11)	12	
13 Net capital gain. Enter excess of net long-term capital gain (line 11) over net short-term capital loss (line 5)	13	1,770,733
14 Add lines 12 and 13. Enter here and on Form 1120, page 1, line 8, or the proper line on other returns	14	1,770,733

Note: If losses exceed gains, see Capital losses in the instructions on page 2.



**NOL and Contribution Carryover Worksheet - Regular Tax**Form **1120****2003**

For calendar year 2003 or tax year beginning , ending

Name

Employer Identification Number

**ENERGY MERCHANT HOLDING INC****13-4104912**

Preceding Taxable Year	Adj. To NOL Inc/(Loss) After Adj.	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Income Offset By NOL Carryback/ Carryover NOL Utilized	Carryover
15th 12/31/88					
14th 12/31/89					
13th 12/31/90					
12th 12/31/91					
11th 12/31/92					
10th 12/31/93					
9th 12/31/94					
8th 12/31/95					
7th 12/31/96					
6th 12/31/97					
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01					
1st 12/31/02					

NOL Carryover Available To Current Year

0

Current Year	0 -6,364,046			6,364,046
--------------	-----------------	--	--	-----------

NOL Carryover Available To Next Year

6,364,046

Charitable Contributions		Prior Year		Current Year		Next Year
Preceding Tax Year	Excess Contributions	Utilized Or Reclassified to NOL	Carryover	Reclassified to NOL (Reg. Sec. 1.170A-11(c)(2))	Carryovers Utilized	Carryover
12/31/98						
12/31/99						
12/31/00						
12/31/01						
12/31/02						
Charitable Contribution Carryover To Current Year			0			
Current Year			0			0
Charitable Contribution Carryover Available To Next Year						0

Form **1120****NOL and Contribution Carryover Worksheet - AMT****2003**

For calendar year 2003 or tax year beginning

, ending

Name

Employer Identification Number

**ENERGY MERCHANT HOLDING INC****13-4104912**

Preceding Taxable Year	Adj. To NOL Inc/(Loss) After Adj.	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Income Offset By NOL Carryback/ Carryover NOL Utilized	Carryover
15th 12/31/88					
14th 12/31/89					
13th 12/31/90					
12th 12/31/91					
11th 12/31/92					
10th 12/31/93					
9th 12/31/94					
8th 12/31/95					
7th 12/31/96					
6th 12/31/97					
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01					
1st 12/31/02					
NOL Carryover Available To Current Year			0		
Current Year	0 -6,346,074				6,346,074
NOL Carryover Available To Next Year					6,346,074

Charitable Contributions		Prior Year		Current Year		Next Year
Preceding Tax Year	Excess Contributions	Utilized Or Reclassified to NOL	Carryover	Reclassified to NOL (Reg. Sec. 1.170A-11(c)(2))	Carryovers Utilized	Carryover
12/31/98						
12/31/99						
12/31/00						
12/31/01						
12/31/02						
Charitable Contribution Carryover To Current Year			0			
Current Year	0					0
Charitable Contribution Carryover Available To Next Year						0

## Carryover Worksheet

Form **1120****2003**

For calendar year 2003 or tax year beginning

, ending

Name

Employer Identification Number

**ENERGY MERCHANT HOLDING INC****13-4104912**

Net Capital Loss		Prior Year		Current Year	Next Year
Preceding Tax Year	Net Capital Gain/(Loss)	Loss Utilized or C/B (Gains Offset)	Capital Loss Carryover	Gain Offset By Carryback/ Carryovers Utilized	Capital Loss Carryover
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01					
1st 12/31/02					
Capital Loss Carryover Available To Current Year			0		
Current Year 1,770,733					0
Capital Loss Carryover Available To Next Year					0

Section 1231 Losses		Prior Year		Current Year	Next Year
Preceding Tax Year	1231 Loss	Recaptured	Unrecaptured	Prior Losses Recaptured	Unrecaptured
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01					
1st 12/31/02					
1231 Losses Available for Recapture in Current Year			0		
Current Year 0					0
1231 Losses Available for Recapture in Next Year					0

General Business Credit		Prior Year		Current Year		Next Year
Preceding Tax Year	Tax > than Credits (Credits > than Tax)	(Tax Offset by C/B) Credits Utilized	Credit Carryover	Carryovers Utilized	Tax Offset By Carryback	Credit Carryover
15th 12/31/88						
14th 12/31/89						
13th 12/31/90						
12th 12/31/91						
11th 12/31/92						
10th 12/31/93						
9th 12/31/94						
8th 12/31/95						
7th 12/31/96						
6th 12/31/97						
5th 12/31/98						
4th 12/31/99						
3rd 12/31/00						
2nd 12/31/01						
1st 12/31/02						
General Bus. Credit Carryover To Current Year			0			
Current Year 0						0
General Business Credit Carryover Available To Next Year						0

**Federal Statements****Statement 1 - Form 1120, Page 1, Line 10 - Other Income**

<u>Description</u>	<u>Amount</u>
ENERGY MERCHANT LLC	\$ -8,162,938
TOTAL	<u>\$ -8,162,938</u>

13-4104912

**Federal Statements**

FYE: 12/31/2003

**Statement 2 - Form 1120, Page 1, Line 10 - Other Income Pass Through Information**

<u>Name of Entity</u>	<u>EIN</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
ENERGY MERCHANT LLC	52-2101198	P.O. BOX 549	BEL AIR	MD	21014-0549

13-4104912

## Federal Statements

FYE: 12/31/2003

Statement 3 - 1120, Pg 3, Sch K, Question 3 - Did the Corp Own 50% or More of a Domestic Corp

<u>EIN</u>	<u>Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Percent Owned</u>	<u>Income (Loss)</u>
51-0383350	EMC CAPITAL CORP	126 E 56TH ST, 33 FLOOR	NEW YORK	NY	10022	100.000 \$	2,009,154

12089000 ENERGY MERCHANT HOLDING INC

1/25/2006 10:23 AM

13-4104912

## Federal Statements

FYE: 12/31/2003

### Statement 4 - Form 1120, Pg 3, Sch K, Question 5 - Did Entity Own 50% or More of Corp Stock?

<u>EIN/SSN</u>	<u>Name of Entity</u>	<u>Percent Owned</u>
13-3855623	ENERGY MERCHANT CORP	100.000
TOTAL		<u>100.000</u>

**Federal Statements****Statement 5 - Form 1120, Page 4, Schedule L, Line 9 - Other Investments**

Description	Beginning of Year	End of Year
ENERGY MERCHANT STORAGE	\$ 100,000	\$ 100,000
EMC CAPITAL CORP	11,178,187	75,073
ENERGY MERCHANT LLC	13,116,031	-1,460,646
WILLIAMS TECHNOLOGIES LLC	-1,542,722	
TOTAL	<u>\$ 22,851,496</u>	<u>\$ -1,285,573</u>

**Statement 6 - Form 1120, Page 4, Schedule M-1, Line 4 - Taxable Income Not on Books**

Description	Amount
CASH DIVIDENDS FROM EMC CC	\$ 13,112,269
TOTAL	<u>\$ 13,112,269</u>

**Statement 7 - Form 1120, Page 4, Schedule M-1, Line 5 - Expenses on Books Not on Return**

Description	Amount
PASS THROUGH ENTITY (SCH K-1)	\$ 9,562,632
TOTAL	<u>\$ 9,562,632</u>

**Statement 8 - Form 1120, Page 4, Schedule M-1, Line 7 - Income on Books Not on Return**

Description	Amount
EQUITY IN SUBSIDIARY EARNINGS	\$ 2,009,155
TOTAL	<u>\$ 2,009,155</u>



Form **1120****K-1 Reconciliation Worksheet****2003**

For calendar year 2003 or tax year beginning

, ending

Name

**ENERGY MERCHANT HOLDING INC**

Taxpayer Identification Number

**13-4104912**Activity **ENERGY MERCHANT LLC**Form **K-1**

Unit

**1**Type **NONPASSIVE**

Entire disposition of activity

	I/S K1 & K1-2 Input	At-Risk adjustment	Suspended PAL	PAL disallowed	Tax Return
<b>1120 Page 1 Business</b>					
Ordinary income (loss)	<b>-8,162,938</b>				<b>-8,162,938</b>
Rental RE income (loss)					
Other rental inc (loss)					
Other inc (loss)					
Depreciation / Sec 179					
Disallowed Sec 179 exp					
Depr/Sec 179 allowed					
Depletion					
Intangible drilling costs					
Other deductions					
Charitable contrib					
Guaranteed payments					
<b>1120 P1 Portfolio</b>					
Interest income	<b>28,159</b>				<b>28,159</b>
Royalties					
Oth portfolio inc/loss					
Investment int expense					
Deds related to portfolio					
<b>Schedule C</b>					
Dividends					
<b>Schedule D</b>					
ST capital gain (loss)					
LT capital gain (loss)	<b>1,770,733</b>				<b>1,770,733</b>
<b>Form 4797</b>					
Part I gain (loss)					
Part II gain (loss)					
Section 179 recapture					
<b>Schedule M</b>					
Tax-exempt interest inc					
Other tax-exempt inc					
Nondeductible expenses	<b>-9,562,632</b>				<b>-9,562,632</b>
<b>Credits &amp; Payments</b>					
fed income tax payments					
low inc housing credit					
Recap low inc hous: pships					
Recap low inc hous: other					
<b>Form 4626</b>					
Cost 86 depreciation adj	<b>17,972</b>				<b>17,972</b>
Adjusted gain (loss)					
Depletion					
oth adjmts & tax prefs					

Form **1120****Two Year Comparison Worksheet Page 1****2002 & 2003**

Name

**ENERGY MERCHANT HOLDING INC**

Employer Identification Number

**13-4104912**

		2002	2003	Differences
Income	Gross profit percentage			
	Gross receipts less returns and allowances			
	Cost of goods sold			
	Gross profit			
	Dividends		13,112,269	13,112,269
	Interest	417,076	28,159	-388,917
	Gross rents			
	Gross royalties			
	Capital gain net income from Schedule D		1,770,733	1,770,733
	Net gain or (loss) from Form 4797			
	Other income	-5,022,585	-8,162,938	-3,140,353
	<b>Total Income</b>	<b>-4,605,509</b>	<b>6,748,223</b>	<b>11,353,732</b>
Deductions	Compensation of officers			
	Salaries and wages less employment credits			
	Repairs and maintenance			
	Bad debts			
	Rents			
	Taxes and licenses			
	Interest			
	Charitable contributions			
	Depreciation			
	Depletion			
	Advertising			
	Pension, profit-sharing, etc., plans			
	Employee benefit programs			
	Other deductions			
	<b>Total deductions</b>	<b>-4,605,509</b>	<b>6,748,223</b>	<b>11,353,732</b>
	<b>Taxable income before NOL &amp; special deductions</b>	<b>-4,605,509</b>	<b>6,748,223</b>	<b>11,353,732</b>
	Net operating loss			
	Special deductions		13,112,269	13,112,269
	<b>Taxable Income</b>	<b>-4,605,509</b>	<b>-6,364,046</b>	<b>-1,758,537</b>
Tax and Payments	Income tax	0	0	0
	Alternative minimum tax			
	Foreign tax credit			
	Possessions tax credit			
	Nonconventional source fuel/QEV credit			
	General business credit			
	Credit for prior minimum tax			
	Qualified zone academy bond credit			
	Personal holding company tax			
	Other taxes			
	<b>Total tax (Including additional taxes)</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Prior yr overpymt credited to current yr			
	Current yr estimated tax pymts			
	Refund applied for on Form 4466			
	Tax deposited with Form 7004			
	Credit from Form 2439			
	Credit for Federal tax on fuels			
	Backup withholding			
	<b>Total payments and credits</b>			
	<b>Tax due (overpayment)</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Estimated tax penalty from Form 2220			
	Penalties and interest			
	<b>Net tax due (overpayment)</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Amt of overpymt credited to next yr's estimated tax</b>			
	<b>Amount of overpayment refunded</b>			

Form **1120****Two Year Comparison Worksheet Page 2****2002 & 2003**

Name

**ENERGY MERCHANT HOLDING INC**

Employer Identification Number

**13-4104912**

		2002	2003	Differences
<b>Sch L</b>	Beginning assets .....	24,965,627	22,851,496	-2,114,131
	Beginning liabilities and equity .....	24,965,627	22,851,496	-2,114,131
	Ending assets .....	22,851,496	-1,285,574	-24,137,070
	Ending liabilities and equity .....	22,851,496	-1,285,574	-24,137,070
<b>Sch M-1</b>	Net income per books .....	-2,101,691	-13,917,523	-11,815,832
	Federal income tax .....			
	Excess of capital losses over capital gains .....	228,419		-228,419
	Taxable income not on books .....		13,112,269	13,112,269
	Book expenses not deducted .....	57,532	9,562,632	9,505,100
	Income on books not on return .....	2,950,736	2,009,155	-941,581
	Return deductions not on books .....	8,206		-8,206
	Income per return .....	-4,774,682	6,748,223	11,522,905
<b>Sch M-2</b>	Beginning of year balance .....	5,502,204	3,400,513	-2,101,691
	Net income (loss) per books .....	-2,101,691	-13,917,523	-11,815,832
	Other increases .....			
	Cash distributions .....		13,112,269	13,112,269
	Stock distributions .....			
	Property distributions .....			
	Other decreases .....			
	Balance at end of year .....	3,400,513	-23,629,279	-27,029,792

**Federal Statements****Form 1120, Page 1, Line 5 - Interest**

<u>Description</u>	<u>Amount</u>
US OBLIGATION INT (SCH K-1)	\$ 16,699
OTHER INTEREST (SCH K-1)	11,460
TOTAL	<u>\$ 28,159</u>

**Federal Statements****Form 1120, Page 4, Schedule L, Line 23 - Additional Paid-In Capital**

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
	\$ 19,450,483	\$ 22,343,205
TOTAL	\$ 19,450,483	\$ 22,343,205

(Rev. 12/03) AD

Enter Income Year Beginning 1/01/03, and Ending 12/31/03

Total Assets  
▶ -1,285,574 00Gross Receipts  
▶ 00NAICS Code (see instructions)  
▶ 525990Audited By ☐ F ☐ O

Connecticut Tax Registration Number

DRS USE ONLY

Federal Employer ID Number

13-4104912

ENERGY MERCHANT HOLDING INC  
126 EAST 56TH ST, 33RD FLOOR  
NEW YORK NY 10022

## CHECK AND COMPLETE ALL APPLICABLE BOXES

1. Change of: <input type="checkbox"/> Closing <input type="checkbox"/> Month <input type="checkbox"/> Address	2. Return Status: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Short Period Return	3. If this is a short period, check the corresponding box: <input type="checkbox"/> Merger <input type="checkbox"/> Acquisition <input type="checkbox"/> Change of Filing Status	4. If this is a final return, has the corporation: <input type="checkbox"/> Dissolved <input type="checkbox"/> Withdrawn <input type="checkbox"/> Merged/Reorganized (Enter survivor's Connecticut Tax Registration Number)	5. Federal return was filed on: <input type="checkbox"/> 1120 <input type="checkbox"/> 1120A <input type="checkbox"/> 1120H <input checked="" type="checkbox"/> Other: Consolidated Basis: Parent Co. Name ▶ ENERGY MERCHANT Parent Co. FEIN ▶ 13-3855623
6. Is this corporation exchanging R & D tax credits? <input type="checkbox"/> Yes (Attach Form CT-1120 XCH) <input checked="" type="checkbox"/> No				
7. Was this company included in a Connecticut combined business tax return for the previous year? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (If this is the first year electing or revoking combined status, attach Form CT-1120CC or Form CT-1120CC-R)				
8. Is this company included in a Connecticut combined business tax return? <input checked="" type="checkbox"/> Yes (Complete Form CT-1120CR) <input type="checkbox"/> No				
9. Is the principal place of business located in Connecticut? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "No," enter state where principal place of business is located <u>NY</u> State of incorporation <u>DE</u> Date of organization <u>12/07/99</u> Date qualified in Connecticut <u>12/07/99</u> Date business began in Connecticut <u>12/07/99</u>				
10. Is this corporation exempt from CT corporation business tax? <input type="checkbox"/> Yes (Attach explanation of exemption including statutory cite) <input checked="" type="checkbox"/> No				
11. Is this corporation annualizing its income? <input type="checkbox"/> Yes (Attach Form CT-1120I) <input checked="" type="checkbox"/> No				
12. Is this company subject to the interest add back or the intangible expense add back? <input type="checkbox"/> Yes (Attach Form CT-1120AB) <input checked="" type="checkbox"/> No				

- ATTACH A COMPLETE COPY OF FORM 1120 INCLUDING ALL SCHEDULES AS FILED WITH THE INTERNAL REVENUE SERVICE -

## SCHEDULE A - COMPUTATION OF TAX ON NET INCOME

1. Net income (Schedule D, Line 18) (If 100% Connecticut, also enter on Line 3)	1	-6,364,046 00
2. Apportionment fraction (Carry to six places. See instructions.)	2	0.016296
3. Connecticut net income (Multiply Line 1 by Line 2)	3	-103,708 00
4. Operating loss carryover (Form CT-1120 ATT, Schedule H, Line 6, Column A)	4	00
5. Income subject to tax (Subtract Line 4 from Line 3)	5	-103,708 00
6. TAX: Multiply Line 5 by 7.5% (.075)	6	0 00

## SCHEDULE B - COMPUTATION OF MINIMUM TAX ON CAPITAL

1. Minimum tax base (Schedule E, Line 6, Column C) (If 100% Connecticut, enter also on Line 3)	1	10,782,961 00
2. Apportionment fraction (Carry to six places. See instructions.)	2	0.000176
3. Multiply Line 1 by Line 2	3	1,898 00
4. Number of months covered by this return	4	12
5. Multiply Line 3 by Line 4, divide the result by 12	5	1,898 00
6. TAX: (3 and 1/10 mills per dollar) Multiply Line 5 by .0031. (Maximum tax for Sch. B is \$1,000,000)	6	6 00

## SCHEDULE C - COMPUTATION OF AMOUNT PAYABLE (MINIMUM TAX \$250)

1a. Tax (Greater of Schedule A, Line 6; Schedule B, Line 6; or \$250)	1a	250 00
1b. Surtax (Line 1a multiplied by 20% (.20))	1b	50 00
1c. Recapture of Tax Credits (See instructions)	1c	00
1. TOTAL TAX (Enter the total of Line 1a, Line 1b, and Line 1c. If no tax credits claimed, also enter on Line 6.)	1	300 00
2. Multiply Line 1 by 30% (0.30)	2	90 00
3. Enter the greater of Line 2 or \$250	3	250 00
4. Tax Credit Limitation (Subtract Line 3 from Line 1)	4	50 00
5. Tax Credits (Form CT-1120K, Part II, Line 11. Do not exceed amount on Line 4.)	5	00
6. Balance of tax payable (Subtract Line 5 from Line 1)	6	300 00
7a. Paid with application for extension (Form CT-1120 EXT)	7a	00
7b. Paid with estimates (Forms CT-1120 ESA, ESB, ESC, & ESD)	7b	00
7c. Overpayment from prior year	7c	00
7. TAX PAYMENTS (Enter the total of Lines 7a, 7b, and 7c)	7	00
8. Balance of tax due (overpaid) (Subtract Line 7 from Line 6)	8	300 00
9. Add Penalty ▶(9a) .00 Int. ▶(9b) .00 CT-1120 Interest ▶(9c) .00	9	00
10. Amount to be credited to 2004 est. tax ▶(10a) .00 Refunded ▶(10b) .00	10	00
11. Balance due with this return (Add Line 8 and Line 9)	11	300 00

Make check payable to: Commissioner of Revenue Services  
(Attach check to return with paper clip. Do not staple.)Mail to: Department of Revenue Services  
PO Box 2974, Hartford CT 06104-2974☐ Check if you do not want a booklet sent to you next year. (Checking this box does not relieve you of your responsibility to file.)

## SCHEDULE D - COMPUTATION OF NET INCOME

1. Federal taxable income (loss) before net operating loss and special deductions	1	6,748,223	00
2. Interest income wholly exempt from federal tax	2		00
3. Unallowable deduction for corporation tax (Schedule F, Line 8)	3		00
4. Interest expenses paid to a related member (Form CT-1120AB, Part I A, Line 1)	4		00
5. Intangible expenses and costs paid to a related member (Form CT-1120AB, Part I B, Line 1)	5		00
6. Federal bonus depreciation (See instructions)	6		00
7. TOTAL (Add Lines 1 through 6)	7	6,748,223	00
8. Dividend deduction (Form CT-1120 ATT, Schedule I, Line 4)	8	13,112,269	00
9. Capital loss carryover (if not deducted in computing federal capital gain)	9		00
10. Capital gain from sale of preserved land	10		00
11. Federal bonus depreciation recovery (Form CT-1120 ATT, Schedule J, Line 5)	11		00
12. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 1)	12		00
13. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 2)	13		00
14. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 3)	14		00
15. Exceptions to add back of intangible expenses paid to a related member (Form CT-1120 AB, Part II B, Line 1)	15		00
16. Other (Attach explanation)	16		00
17. TOTAL (Add Lines 8 through 16)	17	13,112,269	00
18. NET INCOME (Subtract Line 17 from Line 7. Enter here and on Schedule A, Line 1.)	18	-6,364,046	00

## SCHEDULE E - COMPUTATION OF MINIMUM TAX BASE

(See instructions)	COLUMN A	COLUMN B	COLUMN C
	BEGINNING OF YEAR	END OF YEAR	
1. Capital stock (federal Schedule L, Line 22a and Line 22b)	500	500	(COLUMN A plus COLUMN B) DIVIDED BY 2
2. Surplus and undivided profits (federal Schedule L, Lines 23, 24, and 25)	22,850,996	-1,286,074	
3. Surplus reserves (Attach schedule)			
4. Total (Add Lines 1, 2, and 3). Enter average in Column C	22,851,496	-1,285,574	10,782,961
5. Holdings of stock of private corporations (attach schedule). Enter average in Column C			
6. Balance (Subtract Line 5, Column C, from Line 4, Column C. Enter here and on Schedule B, Line 1.)			10,782,961

## SCHEDULE F - TAXES

	COLUMN A	COLUMN B
1. Payroll		00
2. Real property		00
3. Personal property		00
4. Sales and use		00
5. Other (See instructions)		00
6. Connecticut corporation business (Deducted in the computation of federal taxable income)		00
7. Tax on or measured by income or profits imposed by other states or political subdivisions (Deducted in the computation of federal taxable income). ATTACH SCHEDULE		00
8. Total unallowable deduction for corporation business tax purposes (Add Line 6 and Line 7, Column B. Enter here and on Schedule D, Line 3.)		00

## SCHEDULE G - ADDITIONAL REQUIRED INFORMATION - Attach a Schedule of Officers

1. In which Connecticut town(s) does the corporation own or lease (as lessee) real or tangible personal property, or perform services? <b>NONE</b>	
2. (a) Did this corporation directly or indirectly transfer a controlling interest in an entity owning Connecticut real property? If "Yes," enter: Transferee Name _____ Federal Employer ID Number _____	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(b) Was there a direct or indirect transfer of a controlling interest in your company owning Connecticut real property? If "Yes," enter: Transferor Name _____ Federal Employer ID Number _____	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. Did any corporation at any time during the year own a majority of the voting stock of this corporation? If "Yes," enter: Corporation Name <b>ENERGY MERCHANT</b> Federal Employer ID Number <b>13-3855623</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. Last taxable year this corporation was audited by the Internal Revenue Service Were adjustments reported to Connecticut? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "No," attach explanation.)	

**DECLARATION:** I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand that the penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

<b>SIGN HERE</b> Keep a copy of this return for your records	Signature of Corporate Officer	Title	Date	May DRS contact the preparer shown below about this return? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (See instructions, Page 17)
	Paid Preparer's Signature		Telephone Number <b>410-893-9710</b>	
	Firm's Name and Address <b>JEFFERSON, URIAN, DOANE &amp; STERNER, P.A. PO BOX 477 OCEAN VIEW, DE 19970-0477</b>		Date <b>1/25/06</b>	Preparer's SSN or PTIN <b>P00319104</b>
			FEIN <b>51-0212284</b>	Telephone Number <b>302-539-5543</b>

Department of Revenue Services  
State of Connecticut

2003

**Form CT-1120 ATT**  
**Corporation Business Tax Return Attachment**  
**Schedules H, I, and J**

- See Instructions on Reverse -

CONNECTICUT TAX REGISTRATION NUMBER

Corporation Name

**ENERGY MERCHANT HOLDING INC****SCHEDULE H - Connecticut Apportioned Operating Loss Carryover**

	Connecticut Apportioned Income (Loss)	Loss Applied to Income Year 1999	Loss Applied to Income Year 2000	Loss Applied to Income Year 2001	Loss Applied to Income Year 2002	COLUMN A		COLUMN B	
						Loss Applied to Income Year 2003		Remaining Loss Available for 2004	
1.	1998								
2.	1999								
3.	2000								
4.	2001								
5.	2002								
6.	TOTAL (Add Lines 1 through 5 in Column A, and Lines 2 through 5 in Column B, and enter here. Enter the amount from Line 6, Column A on Form CT-1120, Schedule A, Line 4.)						00		00

**SCHEDULE I - Dividend Deduction**

		COLUMN A		COLUMN B	COLUMN C	COLUMN D		COLUMN E	
		Amount		Deduction Rate	Balance (Col. A x Col. B)	Related Expenses (attach schedule)		Dividend Deduction (Col. C - Col. D)	
1.	Dividend Income included in Computation of Federal Taxable Income (Form CT-1120, Schedule D, Line 1). See instructions.	▶ 13,112,269	00						
2.	Dividends from domestic corporations less than 20% owned.	▶	00	70% (.70)		▶	00		00
3.	Dividend Balance (Subtract Line 2 from Line 1).	13,112,269	00	100% (1.0)	13,112,269	▶	00	13,112,269	00
4.	TOTAL DIVIDEND DEDUCTION (Add Line 2, Column E, and Line 3, Column E. Enter the result here and on Form CT-1120, Schedule D, Line 8)							13,112,269	00

**SCHEDULE J - Bonus Depreciation Recovery**

	Assets Subject to I.R.C. §168(k) Placed in Service During Income Year	COLUMN A	COLUMN B	COLUMN C	
		2003 MACRS Depreciation on Federal Basis (After I.R.C. §168(k) Bonus)	2003 MACRS Depreciation on Connecticut Basis (Without I.R.C. §168(k) Bonus)	2003 Recovery of I.R.C. §168(k) Bonus Depreciation (Col. B - Col. A)	
1.	2000			00	
2.	2001			00	
3.	2002			00	
4.	2003			00	
5.	FEDERAL BONUS DEPRECIATION RECOVERY (Add Lines 1, 2, 3, and 4, in Column C. Enter the result here and on Form CT-1120, Schedule D, Line 11)			00	



Department of Revenue Services  
State of Connecticut

2003

(Rev. 12/03)

**Form CT-1120A**  
**Corporation Business Tax Return Apportionment Computation**

-See Instructions on Reverse-

CONNECTICUT TAX REGISTRATION NUMBER

Corporation Name

**ENERGY MERCHANT HOLDING INC****SCHEDULE Q - NET INCOME APPORTIONMENT**

1. (a) Gross receipts from business carried on within Connecticut	00
(b) Gross receipts from business carried on outside Connecticut	00
(c) <b>TOTAL:</b> Add Line 1(a) and Line 1(b)	00
2. Proportion of income attributable to Connecticut: Divide Line 1(a) by Line 1(c)	Enter on Form CT-1120, Sch. A, Line 2. Carry to six places.
	DECIMAL NOTATION

**SCHEDULE R - NET INCOME APPORTIONMENT**

FACTOR	ITEM	COLUMN A CONNECTICUT	COLUMN B EVERYWHERE	COLUMN C
TANGIBLE PROPERTY  (Average Monthly Net Book Value)	1. (a) Inventories	00	23,012,269	00
	(b) Depreciable assets	4,108	336,910	00
	(c) Land	00	00	00
	(d) Capitalized rent	00	327,464	00
	(e) Other (See instructions)	00	00	00
	1. <b>TOTAL</b>	4,108	23,676,643	00
WAGES, SALARIES, AND OTHER COMPENSATION	2. <b>TOTAL</b>	127,308	1,958,309	00
GROSS RECEIPTS	3. (a) Sales of tangibles	00	319,005,684	00
	(b) Services	00	00	00
	(c) Interest	00	28,159	00
	(d) Rents & royalties	00	00	00
	(e) Net gains from sales of assets	00	00	00
	(f) Other	00	00	00
	3. <b>TOTAL</b>	00	319,033,843	00
	4. Enter amount from Line 3, Column C			DECIMAL NOTATION 0.000000
APPORTIONMENT FRACTION	5. <b>Total</b> (Add Lines 1 through 4 in Column C)			0.065183
	Apportionment (Line 5 divided by number of factors used). Enter here and on			DECIMAL NOTATION
	6. Form CT-1120, Schedule A, Line 2.			0.016296

**SCHEDULE S - MINIMUM TAX BASE APPORTIONMENT**

	COLUMN A CONNECTICUT	COLUMN B EVERYWHERE	COLUMN C
INTANGIBLE ASSETS  (Average Monthly Net Book Value)	1. (a) Cash	00	00
	(b) Notes & accounts receivable	00	00
	(c) Investments (Other than stock)	00	00
	(d) Other	00	00
	1. <b>TOTAL</b>	00	00
TANGIBLE PROPERTY  (Average Monthly Net Book Value)	2. (a) Inventories	00	23,012,269
	(b) Depreciable assets	4,108	336,910
	(c) Land	00	00
	(d) Other	00	00
	2. <b>TOTAL</b>	4,108	23,349,179
APPORTIONMENT FRACTION	3. <b>Total</b> (Add Line 1 and Line 2)	4,108	23,349,179
			DECIMAL NOTATION 0.000176

Form  
**CT-1120****CT Net Operating Loss Carryover Worksheet****2003**Enter income year beginning **1/01/03** and ending **12/31/03**

Name

Employer Identification Number

CT Tax Registration No.

**ENERGY MERCHANT HOLDING INC****13-4104912**

Preceding Taxable Year	CT Net Income or (CT Net Loss)	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Carryover NOL Utilized	Carryover
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01					
1st 12/31/02					
NOL Carryover Available To Current Year			0		
Current Year	-103,708				103,708
NOL Carryover Available To Next Year					103,708



Form **1120** U.S. Corporation Income Tax Return **2002**  
 Instructions are separate. See instructions for Paperwork Reduction Act Notice.

Department of the Treasury Internal Revenue Service

IRS use only — Do not write or staple in this space.

For calendar year 2002 or tax year beginning

, 2002, ending

OMB No. 1545-0123

**A Check if a:**

- 1 Consolidated return (attach Form 851) ☐  
 2 Personal holding company (attach Schedule PH) ☐  
 3 Personal service corp (as defined in Regs section 1.441-3(c) — see instructions) ☐

Use IRS label. Otherwise, print or type.

EMC CAPITAL CORP  
 126 EAST 56TH ST, 33 FLOOR  
 NEW YORK, NY 10022

**B Employer identification number**

51-0383350

**C Date incorporated**

6/30/1998

**D Total assets (see instructions)**

**E Check applicable boxes:**

(1) Initial return (2) Final return (3) Name change (4) Address change

\$ 11,964,421.

<b>INCOME</b>	1 a Gross receipts or sales		b Less returns & allowances		c Balance	1 c	
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	
	4 Dividends (Schedule C, line 19)					4	39,617.
	5 Interest					5	15,007.
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (see instructions — attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	54,624.
<b>DEDUCTIONS</b> SEE INSTRUCTIONS	12 Compensation of officers (Schedule E, line 4)					12	
	13 Salaries and wages (less employment credits)					13	
	14 Repairs and maintenance					14	
	15 Bad debts					15	
	16 Rents					16	
	17 Taxes and licenses					17	
	18 Interest					18	657.
	19 Charitable contributions (see instructions for 10% limitation)					19	
	20 Depreciation (attach Form 4562)	20					
	21 Less depreciation claimed on Schedule A and elsewhere on return	21 a				21 b	
	22 Depletion					22	
	23 Advertising					23	
	24 Pension, profit-sharing, etc. plans					24	
	25 Employee benefit programs					25	
	26 Other deductions (attach schedule)		SEE STATEMENT 1			26	89,322.
	27 Total deductions. Add lines 12 through 26					27	89,979.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	-35,355.
	29 Less: a Net operating loss (NOL) deduction (see instructions)	29 a					
b Special deductions (Schedule C, line 20)	29 b	39,617.			29 c	39,617.	
<b>TAX AND PAYMENTS</b>	30 Taxable income. Subtract line 29c from line 28					30	-74,972.
	31 Total tax (Schedule J, line 11)					31	0.
	32 Payments: a 2001 overpayment credited to 2002	32 a					
	b 2002 estimated tax payments	32 b					
	c Less 2002 refund applied for on Form 4466	32 c					
	d Bal	32 d	0.				
	e Tax deposited with Form 7004	32 e					
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32 f					
	g Credit for federal tax on fuels (attach Form 4136). See instructions	32 g				32 h	0.
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached					33	
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	0.	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36 Enter amount of line 35 you want Credited to 2003 estimated tax					36		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Title

May the IRS discuss this return with the preparer shown below? (see inst)  
☒ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed ☒

Preparer's SSN or PTIN

P00319104

EIN 23-2469983

Firm's Name (or yours if self-employed), address, and ZIP Code

CHARLES F. CURCIO, CPA

PO BOX 549

BEL AIR, MD 21014

Phone No. (410) 893-2768

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional Section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 2, page 1	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3  
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
(iii) ☐ Other (specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ☐c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO. **9d** e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ Nof Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No**Schedule B Dividends and Special Deductions** (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	SEE INSTR.	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (sec 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	39,617	100
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1	39,617	
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1		39,617

**Schedule E Compensation of Officers** (see instructions for line 12, page 1)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1					

**Schedule J Tax Computation** (see instructions)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>			
<b>Important:</b> Members of a controlled group, see instructions.			
2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):			
(1) \$	(2) \$	(3) \$	
b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750)		\$	
(2) Additional 3% tax (not more than \$100,000)		\$	
3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see instructions) <input type="checkbox"/>		3	0.
4 Alternative minimum tax (attach Form 4626)		4	
5 Add lines 3 and 4		5	0.
6a Foreign tax credit (attach Form 1118)		6a	
b Possessions tax credit (attach Form 5735)		6b	
c Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEY credit (attach Form 8834)		6c	
d General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) <input type="checkbox"/>		6d	
e Credit for prior year minimum tax (attach Form 8827)		6e	
f Qualified zone academy bond credit (attach Form 8860)		6f	
7 Total credits. Add lines 6a through 6f.		7	
8 Subtract line 7 from line 5		8	
9 Personal holding company tax (attach Schedule PH (Form 1120))		9	
10 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		10	
11 Total tax. Add lines 8 through 10. Enter here and on line 31, page 1.		11	0.

**Other Information** (see instructions)

1 Check method of accounting:	Yes	No	7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?	Yes	No
a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual			If 'Yes,' enter: (a) Percentage owned		
c <input type="checkbox"/> Other (specify) _____			and (b) Owner's country _____		
2 See the instructions and enter the:			c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached.		
a Business activity code no. <u>523130</u>			8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
b Business activity <u>SECURITY TRADER</u>			If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
c Product or service <u>HEDGE FUND</u>			9 Enter the amount of tax-exempt interest received or accrued during the tax year. \$ <u>NONE</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>	X		10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) <u>1</u>		
If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. <b>SEE STATEMENT 2</b>			11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? <input checked="" type="checkbox"/>	X		If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.		
If 'Yes,' enter name and EIN of the parent corporation <u>ENERGY MERCHANT HOLDING INC</u> <u>13-4104912</u>			12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ <u>NONE</u>		
5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>	X		13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/>		X
If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned <u>100%</u> <b>SEE STATEMENT 3</b>			If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ _____		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/>		X			
If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.					

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Note: The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered 'Yes.'

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash .....				
2a	Trade notes and accounts receivable .....				
b	Less allowance for bad debts .....				
3	Inventories .....				
4	U.S. government obligations .....				
5	Tax-exempt securities (see instructions) .....				
6	Other current assets (attach schedule) .. SEE ST. 4 .....		8,430,946.		11,156,634.
7	Loans to shareholders .....				
8	Mortgage and real estate loans .....				
9	Other investments (attach schedule) .. SEE ST. 5 .....		3,169,159.		807,787.
10a	Buildings and other depreciable assets .....				
b	Less accumulated depreciation .....				
11a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....				
13a	Intangible assets (amortizable only) .....				
b	Less accumulated amortization .....				
14	Other assets (attach schedule) .....				
15	Total assets .....		11,600,105.		11,964,421.
Liabilities and Shareholders' Equity					
16	Accounts payable .....				
17	Mortgages, notes, bonds payable in less than 1 year .....				
18	Other current liabilities (attach sch) .. SEE ST. 6 .....		201,644.		786,235.
19	Loans from shareholders .....				
20	Mortgages, notes, bonds payable in 1 year or more .....				
21	Other liabilities (attach schedule) .....				
22	Capital stock: a Preferred stock .....				
b	Common stock .....	1,000,000.	1,000,000.	1,000,000.	1,000,000.
23	Additional paid-in capital .....				
24	Retained earnings — Approp (att sch) .....				
25	Retained earnings — Unappropriated .....		10,398,461.		10,178,186.
26	Adjmnt to shareholders' equity (att sch) .....				
27	Less cost of treasury stock .....				
28	Total liabilities and shareholders' equity .....		11,600,105.		11,964,421.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)**

1	Net income (loss) per books .....	-220,275.	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$ .....	
2	Federal income tax per books .....				
3	Excess of capital losses over capital gains .....	184,920.			
4	Income subject to tax not recorded on books this year (itemize): ..... .....				
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation .....		8	Deductions on this return not charged against book income this year (itemize): a Depreciation .....	
b	Charitable contributions .....		b	Charitable contribns .....	
c	Travel & entertainment .....				
	.....				
6	Add lines 1 through 5 .....	-35,355.	9	Add lines 7 and 8 .....	0.
			10	Income (line 28, page 1) — line 6 less line 9 .....	-35,355.

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year .....	10,398,461.	5	Distributions .....	a Cash .....
2	Net income (loss) per books .....	-220,275.	b	Stock .....	c Property .....
3	Other increases (itemize): ..... .....		6	Other decreases (itemize): ..... .....	
4	Add lines 1, 2, and 3 .....	10,178,186.	7	Add lines 5 and 6 .....	
			8	Balance at end of year (line 4 less line 7) .....	10,178,186.

**SCHEDULE D**  
**(Form 1120)**

**Capital Gains and Losses**

OMB No. 1545-0123

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1120, 1120-A, 1120-F, 1120-FSC, 1120-H,  
1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT,  
1120-RIC, 1120-SF, 990-C, or certain Forms 990-T.

**2002**

Name

EMC CAPITAL CORP

Employer identification number

51-0383350

**Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less**

(a) Description of property (Example, 100 shares of Z Co)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) (Subtract (e) from (d))
1 FROM K-1					179,788.
TRADING PROFITS	VARIOUS	VARIOUS		364,708.	-364,708.
2 Short-term capital gain from installment sales from Form 6252, line 26 or 37				2	
3 Short-term gain or (loss) from like-kind exchanges from Form 8824				3	
4 Unused capital loss carryover (attach computation)				4	
5 Net short-term capital gain or (loss). Combine lines 1 through 4				5	-184,920.

**Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year**

6					
7 Enter gain from Form 4797, column (g), line 7 or 9				7	
8 Long-term capital gain from installment sales from Form 6252, line 26 or 37				8	
9 Long-term gain or (loss) from like-kind exchanges from Form 8824				9	
10 Capital gain distributions (see instructions)				10	
11 Net long-term capital gain or (loss). Combine lines 6 through 10				11	

**Part III Summary of Parts I and II**

12 Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11)	12	
13 Net capital gain. Enter excess of net long-term capital gain (line 11) over net short-term capital loss (line 5)	13	
14 Add lines 12 and 13. Enter here and on Form 1120, page 1, line 8, or the proper line on other returns	14	0.

**Note:** If losses exceed gains, see *Capital losses* in the instructions.

**BAA** For Paperwork Reduction Act Notice, see the instructions for Forms 1120 and 1120-A.

Schedule D (Form 1120) 2002



2002

## FEDERAL STATEMENTS

PAGE 1

EMC CAPITAL CORP

51-0383350

STATEMENT 1  
FORM 1120, LINE 26  
OTHER DEDUCTIONS

BANK CHARGES.....	\$	218.
NET LOSS - EM ADVISORY CO LLC.....		73,238.
NET LOSS - EM INVESTORS FD LLC.....		4,947.
PORTFOLIO DEDUCTIONS - EM INVESTORS FD LLC.....		10,919.
TOTAL	\$	<u>89,322.</u>

STATEMENT 2  
FORM 1120, SCHEDULE K, LINE 3  
OWNERSHIP OF 50% OR MORE OF DOMESTIC CORPORATION

CORPORATION NAME : ENERGY MERCHANT MANAGEMENT CO., LLC  
ID NUMBER : 13-4146881  
PERCENTAGE OWNED : 100.00%  
TAXABLE INCOME : 59,789.

STATEMENT 3  
FORM 1120, SCHEDULE K, LINE 5  
50% OR MORE OWNERS

NAME : ENERGY MERCHANT HOLDING INC  
ID NUMBER : 13-4104912  
PERCENTAGE OWNED : 100.00%

STATEMENT 4  
FORM 1120, SCHEDULE L, LINE 6  
OTHER CURRENT ASSETS

	BEGINNING	ENDING
DUE FROM EMC.....	\$ 8,430,946.	\$ 11,156,634.
TOTAL	<u>\$ 8,430,946.</u>	<u>\$ 11,156,634.</u>

STATEMENT 5  
FORM 1120, SCHEDULE L, LINE 9  
OTHER INVESTMENTS

	BEGINNING	ENDING
ADVEST.....	\$ 2,079,519.	\$ 0.
EM ADVISORY CO LLC.....	-24,302.	-97,540.
EM INVESTORS FUND LLC.....	1,286,991.	820,374.
EM MGMT CO LLC.....	-190,821.	-151,205.
FIMAT.....	17,772.	236,158.
TOTAL	<u>\$ 3,169,159.</u>	<u>\$ 807,787.</u>

2002

## FEDERAL STATEMENTS

PAGE 2

EMC CAPITAL CORP

51-0383350

STATEMENT 6  
FORM 1120, SCHEDULE L, LINE 18  
OTHER CURRENT LIABILITIES

	<u>BEGINNING</u>	<u>ENDING</u>
DUE TO EMAC .....	\$ 201,644.	\$ 786,235.
TOTAL	<u>\$ 201,644.</u>	<u>\$ 786,235.</u>

Form **1120****U.S. Corporation Income Tax Return**

OMB No. 1545-0123

For calendar year 2003 or tax year beginning

, ending

**2003**Department of the Treasury  
Internal Revenue Service

▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

<b>A Check if a:</b> 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c) - see instructions) <input type="checkbox"/>		<b>Use IRS label. Otherwise, print or type.</b> Name <b>EMC CAPITAL CORP</b> Number, street, and room or suite no. <b>126 EAST 56TH ST, 33RD FLOOR</b> City or town, state, and ZIP code <b>NEW YORK NY 10022</b>	<b>B Employer identification number</b> <b>51-0383350</b> <b>C Date incorporated</b> <b>6/30/98</b> <b>D Total assets (see page 8 of instructions)</b> <b>75,072</b>
--	--	--	---

<b>E Check applicable boxes:</b>		(1) <input type="checkbox"/> Initial return	(2) <input type="checkbox"/> Final return	(3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change \$			
<b>Income</b>	1a Gross rcpt./sales	b Less returns & allowances			c Bal ▶	1c	
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	
	4 Dividends (Schedule C, line 19)					4	12,044
	5 Interest					5	7,243
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Sch. D (Form 1120))					8	2,016,705
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (see page 9 of instructions-attach schedule)	SEE STMT 1, 2				10	-23,131
	11 Total income. Add lines 3 through 10					11	2,012,861
<b>Deductions</b>  (See Instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)					12	
	13 Salaries and wages (less employment credits)					13	
	14 Repairs and maintenance					14	
	15 Bad debts					15	
	16 Rents					16	
	17 Taxes and licenses					17	
	18 Interest					18	636
	19 Charitable contributions (see page 11 of instructions for 10% limitation)					19	
	20 Depreciation (attach Form 4562)	20				20	
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a				21b	
	22 Depletion					22	
	23 Advertising					23	
	24 Pension, profit-sharing, etc., plans					24	
	25 Employee benefit programs					25	
26 Other deductions (attach schedule)	SEE STMT 3, 4				26	3,070	
27 Total deductions. Add lines 12 through 26					27	3,706	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	2,009,155	
<b>Tax and payments</b>	29 Less: a Net operating loss (NOL) deduction (see page 13 of instructions)	29a				29a	
	b Special deductions (Schedule C, line 20)	29b	12,044			29b	12,044
	30 Taxable income. Subtract line 29c from line 28					30	1,997,111
	31 Total tax (Schedule J, line 11)					31	667,268
	32 Payments:	32a				32a	
	a 2002 overpayment credited to 2003	32b				32b	
	b 2003 estimated tax payments	32c				32c	
	c Less 2003 refund applied for on Form 4466	32d				32d	
	d Tax deposited with Form 7004	32e				32e	
	e Credit for tax paid on undistributed capital gains (attach Form 2439)	32f				32f	
33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					33		
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	667,268	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36 Enter amt. of line 35 you want: Credited to 2004 estimated tax				Refunded ▶	36		

<b>Sign here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		May the IRS discuss this return with the preparer shown below (see instr.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	Signature of officer	Date	Title	
<b>Preparer's aid</b> <b>Preparer's use Only</b>	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	1/25/06		P00319104
	JEFFERSON, URIAN, DOANE & STERNER, P.A. PO BOX 477 OCEAN VIEW, DE 19970-0477			EIN 51-0212284 Phone no. 302-539-5543

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1	8	

12,044

Subtract line 3 from line 2. Enter the result here and on line 12, page 1

**Schedule J Tax Computation (see page 17 of instructions)**

<b>1</b>	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input checked="" type="checkbox"/> <b>X</b>		
<b>Important:</b> Members of a controlled group, see instructions on page 17.			
<b>2a</b>	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1)	\$ <u>50,000</u>	(2)	\$ <u>25,000</u>
(3)	\$ <u>9,925,000</u>		
<b>b</b>	Enter the corporation's share of:	(1) Additional 5% tax (not more than \$11,750)	\$ <u>          </u>
		(2) Additional 3% tax (not more than \$100,000)	\$ <u>          </u>
<b>3</b>	Income tax. Check if a qualified personal service corp. under section 448(d)(2) (see page 17) <input type="checkbox"/>	<b>3</b>	<b>667,268</b>
<b>4</b>	Alternative minimum tax (attach Form 4626)	<b>4</b>	
<b>5</b>	Add lines 3 and 4	<b>5</b>	<b>667,268</b>
<b>6a</b>	Foreign tax credit (attach Form 1118)	<b>6a</b>	
<b>b</b>	Possessions tax credit (attach Form 5735)	<b>6b</b>	
<b>c</b>	Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (att. Form 8834)	<b>6c</b>	
<b>d</b>	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) <b>▶</b>	<b>6d</b>	
<b>e</b>	Credit for prior year minimum tax (attach Form 8827)	<b>6e</b>	
<b>f</b>	Qualified zone academy bond credit (attach Form 8860)	<b>6f</b>	
<b>7</b>	<b>Total credits.</b> Add lines 6a through 6f	<b>7</b>	<b>0</b>
<b>8</b>	Subtract line 7 from line 5	<b>8</b>	<b>667,268</b>
<b>9</b>	Personal holding company tax (attach Schedule PH (Form 1120))	<b>9</b>	
<b>10</b>	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	<b>10</b>	
<b>11</b>	<b>Total tax.</b> Add lines 8 through 10. Enter here and on line 31, page 1	<b>11</b>	<b>667,268</b>

**Schedule K Other Information (see page 19 of instructions)**

<b>1</b>	Check method of accounting: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> <b>X</b> Accrual c <input type="checkbox"/> Other (specify) <b>▶</b>	<b>Yes</b>	<b>No</b>	<b>7</b>	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? <b>▶</b>	<b>Yes</b>	<b>No</b>
<b>2</b>	See page 21 of the instructions and enter the: a Business activity code no. <b>▶ 523130</b> b Business activity <b>▶ SECURITY TRADER</b> c Product or service <b>▶ HEDGE FUND</b>				If "Yes," enter: (a) Percentage owned <b>▶</b> and (b) Owner's country <b>▶</b>		<b>X</b>
<b>3</b>	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. <b>STMT 5</b>	<b>X</b>			<b>c</b> The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached <b>▶</b>		
<b>4</b>	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corp. <b>▶ 13-4104912</b> <b>ENERGY MERCHANT HOLDING, INC</b>	<b>X</b>		<b>8</b>	Check this box if the corporation issued publicly offered debt instruments with original issue discount <b>▶</b> <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
<b>5</b>	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) <b>STMT 6</b> If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned <b>▶ 100.000</b>	<b>X</b>		<b>9</b>	Enter the amount of tax-exempt interest received or accrued during the tax year <b>▶ \$ 0</b>		
<b>6</b>	During this tax year, did the corp. pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		<b>X</b>	<b>10</b>	Enter the number of shareholders at the end of the tax year (if 75 or fewer) <b>▶ 1</b>		
				<b>11</b>	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <b>▶</b> <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T (b)(3)(i) or (ii) must be attached or the election will not be valid.		
				<b>12</b>	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) <b>▶ \$</b>		
				<b>13</b>	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <b>▶</b>		<b>X</b>
				If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year <b>▶ \$</b>			

**note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

**Note:** The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

<b>Schedule L Balance Sheets per Books</b>		<b>Beginning of tax year</b>		<b>End of tax year</b>	
<b>Assets</b>		<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>1</b>	Cash				<b>1,385</b>
<b>2a</b>	Trade notes and accounts receivable				
<b>b</b>	Less allowance for bad debts				
<b>3</b>	Inventories				
<b>4</b>	U.S. government obligations				
<b>5</b>	Tax-exempt securities (see instructions)				
<b>6</b>	Other current assets <b>STMT 7</b>		<b>11,156,634</b>		
<b>7</b>	Loans to shareholders				
<b>8</b>	Mortgage and real estate loans				
<b>9</b>	Other investments <b>STMT 8</b>		<b>807,787</b>		<b>73,687</b>
<b>10a</b>	Buildings and other depreciable assets				
<b>b</b>	Less accumulated depreciation				
<b>11a</b>	Depletable assets				
<b>b</b>	Less accumulated depletion				
<b>12</b>	Land (net of any amortization)				
<b>13a</b>	Intangible assets (amortizable only)				
<b>b</b>	Less accumulated amortization				
<b>14</b>	Other assets (attach sch.)				
<b>15</b>	<b>Total assets</b>		<b>11,964,421</b>		<b>75,072</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>16</b>	Accounts payable				
<b>17</b>	Mortgages, notes, bonds payable in less than 1 year				
<b>18</b>	Other current liabilities <b>STMT 9</b>		<b>786,235</b>		
<b>19</b>	Loans from shareholders				
<b>20</b>	Mortgages, notes, bonds payable in 1 year or more				
<b>21</b>	Other liabilities (att. sch.)				
<b>22</b>	Capital stock: <b>a</b> Preferred stock				
	<b>b</b> Common stock	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>23</b>	Additional paid-in capital				
<b>24</b>	Retained earnings-Appropriated				
<b>25</b>	Retained earnings-Unappropriated		<b>10,178,186</b>		<b>-924,928</b>
<b>26</b>	Adjustments to SH equity				
<b>27</b>	Less cost of treasury stock				
<b>28</b>	<b>Total liabilities and shareholders' equity</b>		<b>11,964,421</b>		<b>75,072</b>

<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 20 of instructions)</b>			
<b>1</b>	Net income (loss) per books	<b>2,009,155</b>	<b>7</b> Income recorded on books this year not included on this return (itemize):
<b>2</b>	Federal income tax per books		Tax-exempt int. \$
<b>3</b>	Excess of capital losses over capital gains		
<b>4</b>	Income subject to tax not recorded on books this year (itemize):		
<b>5</b>	Expenses recorded on books this year not deducted on this return (itemize):		<b>8</b> Deductions on this return not charged against book income this year (itemize):
<b>a</b>	Depreciation \$		<b>a</b> Depreciation \$
<b>b</b>	Charitable contributions \$		<b>b</b> Charitable contributions \$
<b>c</b>	Travel and entertainment \$		
<b>6</b>	Add lines 1 through 5	<b>2,009,155</b>	<b>9</b> Add lines 7 and 8
			<b>10</b> Income (line 28, page 1) - line 6 less line 9
			<b>2,009,155</b>

<b>Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)</b>			
<b>1</b>	Balance at beginning of year	<b>10,178,186</b>	<b>5</b> Distributions: <b>a</b> Cash
<b>2</b>	Net income (loss) per books	<b>2,009,155</b>	<b>b</b> Stock
<b>3</b>	Other increases (itemize):		<b>c</b> Property
			<b>6</b> Other decreases (itemize):
			<b>7</b> Add lines 5 and 6
<b>4</b>	Add lines 1, 2, and 3	<b>12,187,341</b>	<b>8</b> Balance at end of year (line 4 less line 7)
			<b>13,112,269</b>
			<b>-924,928</b>

Form **4626****Alternative Minimum Tax-Corporations**

OMB No. 1545-0175

**2003**Department of the Treasury  
Internal Revenue Service▶ See separate instructions.  
▶ Attach to the corporation's tax return.

Name

Employer identification number  
**51-0383350****EMC CAPITAL CORP**

Note: See page 1 of the instructions to find out if the corporation is a small corporation exempt from the AMT under section 55(e).

<b>1</b>	Taxable income or (loss) before net operating loss deduction	<b>1</b>	<b>1,997,111</b>
<b>2</b>	<b>Adjustments and preferences:</b>		
<b>a</b>	Depreciation of post-1986 property	<b>2a</b>	
<b>b</b>	Amortization of certified pollution control facilities	<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs	<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only)	<b>2d</b>	
<b>e</b>	Adjusted gain or loss	<b>2e</b>	
<b>f</b>	Long-term contracts	<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds	<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only)	<b>2i</b>	
<b>j</b>	Passive activities (closely held corporations and personal service corporations only)	<b>2j</b>	
<b>k</b>	Loss limitations	<b>2k</b>	
<b>l</b>	Depletion	<b>2l</b>	
<b>m</b>	Tax-exempt interest income from specified private activity bonds	<b>2m</b>	
<b>n</b>	Intangible drilling costs	<b>2n</b>	
<b>o</b>	Other adjustments	<b>2o</b>	
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o	<b>3</b>	<b>1,997,111</b>
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
<b>a</b>	ACE from line 10 of the worksheet on page 11 of the instructions	<b>4a</b>	<b>1,997,111</b>
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount. See examples on page 6 of the instructions	<b>4b</b>	
<b>c</b>	Multiply line 4b by 75% (.75). Enter the result as a positive amount	<b>4c</b>	
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see page 6 of the instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	<b>4d</b>	<b>0</b>
<b>e</b>	ACE adjustment: • If line 4b is zero or more, enter the amount from line 4c • If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount	<b>4e</b>	
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT	<b>5</b>	<b>1,997,111</b>
<b>6</b>	Alternative tax net operating loss deduction (see page 7 of the instructions)	<b>6</b>	
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see page 7 of the instructions	<b>7</b>	<b>1,997,111</b>
<b>8</b>	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
<b>a</b>	Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0- <b>CONTROLLED GROUP</b>	<b>8a</b>	<b>600,000</b>
<b>b</b>	Multiply line 8a by 25% (.25)	<b>8b</b>	<b>150,000</b>
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	<b>8c</b>	<b>0</b>
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-	<b>9</b>	<b>1,997,111</b>
<b>10</b>	Multiply line 9 by 20% (.20)	<b>10</b>	<b>399,422</b>
<b>11</b>	Alternative minimum tax foreign tax credit (see page 7 of the instructions)	<b>11</b>	
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10	<b>12</b>	<b>399,422</b>
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit	<b>13</b>	<b>667,268</b>
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return	<b>14</b>	<b>0</b>

Paperwork Reduction Act Notice, see page 10 of the instructions.

Form **4626** (2003)

**SCHEDULE D**

(Form 1120)

Department of the Treasury  
Internal Revenue Service**Capital Gains and Losses**▶ Attach to Form 1120, 1120-A, 1120-F, 1120-FSC, 1120-H,  
1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT,  
1120-RIC, 1120-SF, 990-C, or certain Forms 990-T.

OMB No. 1545-0123

**2003**

Name

Employer identification number

**EMC CAPITAL CORP****51-0383350****Part I Short-Term Capital Gains and Losses-Assets Held One Year or Less**

(a) Description of property (Example: 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) (Subtract (e) from (d))
1 <b>FORM 6781, PART I</b>					<b>810,292</b>
2 Short-term capital gain from installment sales from Form 6252, line 26 or 37				2	
3 Short-term gain or (loss) from like-kind exchanges from Form 8824				3	
4 Unused capital loss carryover (attach computation)				4	
5 Net short-term capital gain or (loss). Combine lines 1 through 4				5	<b>810,292</b>

**Part II Long-Term Capital Gains and Losses-Assets Held More Than One Year**

6 <b>EMIF LLC</b>	<b>1/01/01</b>	<b>4/30/03</b>		<b>9,024</b>	<b>-9,024</b>
<b>FORM 6781, PART I</b>					<b>1,215,437</b>
7 Enter gain from Form 4797, column (g), line 7 or 9				7	
8 Long-term capital gain from installment sales from Form 6252, line 26 or 37				8	
9 Long-term gain or (loss) from like-kind exchanges from Form 8824				9	
10 Capital gain distributions (see instructions)				10	<b>0</b>
11 Net long-term capital gain or (loss). Combine lines 6 through 10				11	<b>1,206,413</b>

**Part III Summary of Parts I and II**

12 Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11)	12	<b>810,292</b>
13 Net capital gain. Enter excess of net long-term capital gain (line 11) over net short-term capital loss (line 5)	13	<b>1,206,413</b>
14 Add lines 12 and 13. Enter here and on Form 1120, page 1, line 8, or the proper line on other returns	14	<b>2,016,705</b>

Note: If losses exceed gains, see Capital losses in the instructions on page 2.



Form **6781****Gains and Losses From Section 1256  
Contracts and Straddles**

OMB No. 1545-0644

**2003**Attachment  
Sequence No. **82**Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on tax return

**EMC CAPITAL CORP**

Identifying number

**51-0383350**

Check all applicable boxes (see instructions).

**A**

Mixed straddle election

**C**

Mixed straddle account election

**B**

Straddle-by-straddle identification election

**D**

Net section 1256 contracts loss election

**Part I Section 1256 Contracts Marked to Market**

(a) Identification of account

(b) Gain or (loss)  
for entire year(c) Post-May 5  
gain or (loss)**1 ENERGY MERCHANT INVESTORS FUND, LLC****2,286,608****FIMAT & STONE****-260,879****2** Net gain or (loss). Add the amounts on line 1 in columns (b) and (c)**2****2,025,729****3** Form 1099-B adjustments. See instructions and attach schedule**3****4** Combine lines 2 and 3, column (b)**4****2,025,729****5** Combine lines 2 and 3, column (c)**5****Note:** If line 4 shows a net gain, skip line 6 and enter the line 4 and 5 amounts on line 7. Partnerships and S corporations, see instructions.**6** If you have a net section 1256 contracts loss and you checked box D above, enter the amount of that loss to be carried back, as a positive number. Do not enter in column (c) more than any loss on line 5**6****7** Combine lines 4 and 6, column (b), and combine lines 5 and 6, column (c)**7****2,025,729****8** Short-term capital gain or (loss). Multiply line 7, columns (b) and (c), by 40% (.40).**8****810,292**

Enter here and include on the appropriate line of Schedule D (see instructions)

**9** Long-term capital gain or (loss). Multiply line 7, columns (b) and (c), by 60% (.60).**9****1,215,437**

Enter here and include on the appropriate line of Schedule D (see instructions)

**Part II Gains and Losses From Straddles. Attach a separate schedule listing each straddle and its components.****Section A-Losses From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Loss. If column (e) is more than (d), enter difference. Otherwise, enter -0-	(g) Unrecognized gain on offsetting positions	(h) Recognized loss for entire year. If column (f) is more than (g), enter difference. Otherwise, enter -0-	(i) 28% rate loss (see instr. below)	(j) Post-May 5 loss (see instructions)
<b>10</b>									
<b>11a</b> Enter the short-term portion of losses from line 10, columns (h) and (i), here and include on the appropriate line of Schedule D (see instructions)						<b>11a</b>			
<b>b</b> Enter the long-term portion of losses from line 10, columns (h), (i), and (j), here and include on the appropriate line of Schedule D (see instructions)						<b>11b</b>			

**Section B-Gains From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain for entire year. If col. (d) is more than (e), enter difference. Otherwise, enter -0-	(g) 28% rate gain (see instr. below)	(h) Post-May 5 gain (see instructions)
<b>12</b>							
<b>13a</b> Enter the short-term portion of gains from line 12, columns (f) and (h), here and include on the appropriate line of Schedule D (see instructions)					<b>13a</b>		
<b>b</b> Enter the long-term portion of gains from line 12, col. (f), (g), and (h), here and include on the appropriate line of Schedule D (see instructions)					<b>13b</b>		

**Part III Unrecognized Gains From Positions Held on Last Day of Tax Year. Memo Entry Only (see instructions)**

(a) Description of property

(b) Date  
acquired(c) Fair market value on  
last business day of tax year(d) Cost or other basis  
as adjusted(e) Unrecognized gain.  
If column (c) is more  
than (d), enter difference.  
Otherwise, enter -0-**4**

8% rate gain or loss Includes all "collectibles gains and losses" and up to 50% of the eligible gain on qualified small business stock. See instructions for Schedule D (Form 1040).

or Paperwork Reduction Act Notice, see page 4.



12129000 EMC CAPITAL CORP  
51-0383350  
FYE: 12/31/2003

## Federal Statements

1/25/2006 10:18 AM

### Statement 1 - Form 1120, Page 1, Line 10 - Other Income

<u>Description</u>	<u>Amount</u>
ENERGY MERCHANT ADVISORY CO.,	\$ <u>-23,131</u>
TOTAL	\$ <u><u>-23,131</u></u>

51-0383350

FYE: 12/31/2003

**Federal Statements****Statement 2 - Form 1120, Page 1, Line 10 - Other Income Pass Through Information**Name of EntityEINAddressCityStateZip

ENERGY MERCHANT ADVISORY CO., LLC

06-1601720 369 FLORIDA HILL RD

RIDGEFIELD

CT

06877

12129000 EMC CAPITAL CORP

51-0383350

FYE: 12/31/2003

1/25/2006 10:18 AM

## Federal Statements

### Statement 3 - Form 1120, Page 1, Line 26 - Other Deductions

<u>Description</u>	<u>Amount</u>
BANK CHARGES	\$ 125
ENERGY MERCHANT INVESTORS FUN	2,945
TOTAL	<u>\$ 3,070</u>

51-0383350

FYE: 12/31/2003

## Federal Statements

Statement 4 - From 1120, Page 1, Line 26 - Other Deductions Pass Through Information

Name of Entity	EIN	Address	City	State	Zip
ENERGY MERCHANT INVESTORS FUND, LLC	13-4146885	369 FLORIDA HILL RD	RIDGEFIELD	CT	06877

51-0383350

FYE: 12/31/2003

## Federal Statements

Statement 5 - 1120, Pg 3, Sch K, Question 3 - Did the Corp Own 50% or More of a Domestic Corp

<u>EIN</u>	<u>Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Percent Owned</u>	<u>Income (Loss)</u>
13-4146881	ENERGY MERCHANT MANAGEMENT CO., LLC	126 E 56TH ST, 33 FLOOR	NEW YORK	NY	10022	100.000 \$	12,044

12129000 EMC CAPITAL CORP

51-0383350

FYE: 12/31/2003

1/25/2006 10:18 AM

## Federal Statements

**Statement 6 - Form 1120, Pg 3, Sch K, Question 5 - Did Entity Own 50% or More of Corp  
Stock?**

<u>EIN/SSN</u>	<u>Name of Entity</u>	<u>Percent Owned</u>
13-4104912	ENERGY MERCHANT HOLDING INC	<u>100.000</u>
TOTAL		<u>100.000</u>



**Federal Statements****Statement 7 - Form 1120, Page 4, Schedule L, Line 6 - Other Current Assets**

Description	Beginning of Year	End of Year
DUE FROM EMC	\$ 11,156,634	\$
TOTAL	\$ 11,156,634	\$ 0

**Statement 8 - Form 1120, Page 4, Schedule L, Line 9 - Other Investments**

Description	Beginning of Year	End of Year
FIMAT & STONE BROKERAGE	\$ 236,158	\$
EMAC LLC	-97,540	73,222
EMMC LLC	-151,205	465
EMIF LLC	820,374	
TOTAL	\$ 807,787	\$ 73,687

**Statement 9 - Form 1120, Page 4, Schedule L, Line 18 - Other Current Liabilities**

Description	Beginning of Year	End of Year
DUE TO EMAC	\$ 786,235	\$
TOTAL	\$ 786,235	\$ 0

Form **1120****K-1 Reconciliation Worksheet****2003**

For calendar year 2003 or tax year beginning , ending

Name

**EMC CAPITAL CORP**

Taxpayer Identification Number

**51-0383350**

Activity

**ENERGY MERCHANT ADVISORY CO., LLC**Form **K-1**Unit **1**

Type

**NONPASSIVE**

Entire disposition of activity

**X**

	I/S K1 & K1-2 Input	At-Risk adjustment	Suspended PAL	PAL disallowed	Tax Return
<b>1120 Page 1 Business</b>					
Ordinary income (loss)	<b>-23,131</b>				<b>-23,131</b>
Rental RE income (loss)					
Other rental inc (loss)					
Other inc (loss)					
Depreciation / Sec 179					
Disallowed Sec 179 exp					
Depr/Sec 179 allowed					
Depletion					
Intangible drilling costs					
Other deductions					
Charitable contrib					
Guaranteed payments					
<b>1120 P1 Portfolio</b>					
Interest income					
Royalties					
Other portfolio inc/loss					
Investment int expense					
Deds related to portfolio					
<b>Schedule C</b>					
Dividends					
<b>Schedule D</b>					
ST capital gain (loss)					
LT capital gain (loss)					
<b>Form 4797</b>					
Part I gain (loss)					
Part II gain (loss)					
Section 179 recapture					
<b>Schedule M</b>					
Tax-exempt interest inc					
Other tax-exempt inc					
Nondeductible expenses					
<b>Credits &amp; Payments</b>					
Fed income tax payments					
Low inc housing credit					
Recap low inc hous: pships					
Recap low inc hous: other					
<b>Form 4626</b>					
Post 86 depreciation adj					
Adjusted gain (loss)					
Depletion					
Other adjmts & tax prefs					

Form **1120****K-1 Reconciliation Worksheet****2003**

For calendar year 2003 or tax year beginning

, ending

Name

Taxpayer Identification Number

**EMC CAPITAL CORP****51-0383350**Activity **ENERGY MERCHANT INVESTORS FUND, LLC**Form **K-1**Unit **2**Type **PASSIVE**Entire disposition of activity **X**

	I/S K1 & K1-2 Input	At-Risk adjustment	Suspended PAL	PAL disallowed	Tax Return
<b>1120 Page 1 Business</b>					
Ordinary income (loss)					
Rental RE income (loss)					
Other rental inc (loss)					
Other inc (loss)					
Depreciation / Sec 179					
Disallowed Sec 179 exp					
Depr/Sec 179 allowed					
Depletion					
Intangible drilling costs					
Other deductions					
Charitable contrib					
Guaranteed payments					
<b>1120 P1 Portfolio</b>					
Interest income	5,618				5,618
Royalties					
Other portfolio inc/loss					
Investment int expense	-636				-636
Deds related to portfolio	-2,945				-2,945
<b>Schedule C</b>					
Dividends					
<b>Schedule D</b>					
ST capital gain (loss)					
LT capital gain (loss)					
<b>Form 4797</b>					
Part I gain (loss)					
Part II gain (loss)					
Section 179 recapture					
<b>Schedule M</b>					
Tax-exempt interest inc					
Other tax-exempt inc					
Nondeductible expenses					
<b>Credits &amp; Payments</b>					
Fed income tax payments					
Low inc housing credit					
Recap low inc hous: pships					
Recap low inc hous: other					
<b>Form 4626</b>					
Post 86 depreciation adj					
Adjusted gain (loss)					
Depletion					
Other adjmts & tax prefs					

**Tax Computation Worksheet**Form **1120****2003**

For calendar year 2003 or tax year beginning , ending

Name

Employer Identification Number

**EMC CAPITAL CORP****51-0383350**

1) Taxable income from <b>LINE 30, FORM 1120</b>	1	<b>1,997,111</b>
2) Number of months in tax year	2	<b>12</b>
3) Taxable income (annualized, if applicable) (Multiply line 1 times 12 months divided by line 2) (If PSC, skip to line 16)	3	<b>1,997,111</b>
4) Enter the lesser of line 3 or \$50,000 (members of a controlled group, see instructions)	4	<b>50,000</b>
5) Subtract line 4 from line 3	5	<b>1,947,111</b>
6) Enter the lesser of line 5 or \$25,000 (members of a controlled group, see instructions)	6	<b>25,000</b>
7) Subtract line 6 from line 5	7	<b>1,922,111</b>
8) Enter the lesser of line 7 or \$9,925,000 (members of a controlled group, see instructions)	8	<b>1,922,111</b>
9) Subtract line 8 from line 7	9	
10) Multiply line 4 times 15%	10	<b>7,500</b>
11) Multiply line 6 times 25%	11	<b>6,250</b>
12) Multiply line 8 times 34%	12	<b>653,518</b>
13) Multiply line 9 times 35%	13	
14) Additional tax. If line 3 is more than \$100,000, enter the lesser of: (a) 5% of the excess of line 3 over \$100,000 or (b) \$ 11,750 (members of a controlled group, see instructions)	14	
15) Additional tax. If line 3 is more than \$15,000,000, enter the lesser of: (a) 3% of the excess of line 3 over \$15,000,000 or (b) \$ 100,000 (members of a controlled group, see instructions)	15	
16) If PSC, multiply line 3 by 35%	16	
17) Tentative tax. Add lines 10 through 16.	17	<b>667,268</b>
18) Number of months in tax year	18	<b>12</b>
19) Tax liability before credits (annualized, if applicable) (Multiply line 17 times line 18 divided by 12 months) Enter here and on <b>LINE 3, SCHEDULE J, FORM 1120</b>	19	<b>667,268</b>

12129000 EMC CAPITAL CORP  
51-0383350  
FYE: 12/31/2003

1/25/2006 10:18 AM

## Federal Statements

### Form 1120, Page 1, Line 5 - Interest

<u>Description</u>	<u>Amount</u>
OTHER INTEREST	\$ 1,625
OTHER INTEREST (SCH K-1)	5,618
TOTAL	<u>\$ 7,243</u>

### Form 1120, Page 1, Line 18 - Interest

<u>Description</u>	<u>Amount</u>
PASS THROUGH ENTITY (SCH K-1)	\$ 636
TOTAL	<u>\$ 636</u>

Corporation Business Tax Return

2003

(Rev. 12/03) AD

Enter Income Year Beginning 1/01/03 , and Ending 12/31/03

Total Assets 75,072.00	<b>EMC CAPITAL CORP</b> <b>126 EAST 56TH ST, 33RD FLOOR</b> <b>NEW YORK NY 10022</b>	Connecticut Tax Registration Number
Gross Receipts 00		DRS USE ONLY -20
NAICS Code (see instructions) 523130		Federal Employer ID Number 51-0383350
Audited By F O		

**CHECK AND COMPLETE ALL APPLICABLE BOXES**

1. Change of: <input type="checkbox"/> Closing <input type="checkbox"/> Month <input type="checkbox"/> Address	2. Return Status: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Short Period Return	3. If this is a short period, check the corresponding box: <input type="checkbox"/> Merger <input type="checkbox"/> Acquisition <input type="checkbox"/> Change of Filing Status	4. If this is a final return, has the corporation: <input type="checkbox"/> Dissolved <input type="checkbox"/> Merged/Reorganized (Enter survivor's Connecticut Tax Registration Number) <input type="checkbox"/> Withdrawn	5. Federal return was filed on: <input type="checkbox"/> 1120 <input type="checkbox"/> 1120A <input type="checkbox"/> 1120H <input checked="" type="checkbox"/> Other: Consolidated Basis: Parent Co. Name <b>ENERGY MERCHANT</b> Parent Co. FEIN <b>13-4104912</b>
---	---	---	--	---

6. Is this corporation exchanging R & D tax credits? ☐ Yes (Attach Form CT-1120 XCH) ☒ No

7. Was this company included in a Connecticut combined business tax return for the previous year? ☒ Yes ☐ No  
(If this is the first year electing or revoking combined status, attach Form CT-1120CC or Form CT-1120CC-R)

8. Is this company included in a Connecticut combined business tax return? ☒ Yes (Complete Form CT-1120CR) ☐ No

9. Is the principal place of business located in Connecticut? ☒ Yes ☐ No If "No," enter state where principal place of business is located \_\_\_\_\_ State of incorporation DE Date of organization 6/30/98  
Date qualified in Connecticut 6/30/98 Date business began in Connecticut 6/30/98

10. Is this corporation exempt from CT corporation business tax? ☐ Yes (Attach explanation of exemption including statutory cite) ☒ No

11. Is this corporation annualizing its income? ☐ Yes (Attach Form CT-1120I) ☒ No

12. Is this company subject to the interest add back or the intangible expense add back? ☐ Yes (Attach Form CT-1120AB) ☒ No

- ATTACH A COMPLETE COPY OF FORM 1120 INCLUDING ALL SCHEDULES AS FILED WITH THE INTERNAL REVENUE SERVICE -

**SCHEDULE A - COMPUTATION OF TAX ON NET INCOME**

1. Net income (Schedule D, Line 18) (If 100% Connecticut, also enter on Line 3)	1	1,997,111.00
2. Apportionment fraction (Carry to six places. See instructions.)	2	1.000000
3. Connecticut net income (Multiply Line 1 by Line 2)	3	1,997,111.00
4. Operating loss carryover (Form CT-1120 ATT, Schedule H, Line 6, Column A)	4	00
5. Income subject to tax (Subtract Line 4 from Line 3)	5	1,997,111.00
6. TAX: Multiply Line 5 by 7.5% (.075)	6	149,783.00

**SCHEDULE B - COMPUTATION OF MINIMUM TAX ON CAPITAL**

1. Minimum tax base (Schedule E, Line 6, Column C) (If 100% Connecticut, enter also on Line 3)	1	5,626,629.00
2. Apportionment fraction (Carry to six places. See instructions.)	2	1.000000
3. Multiply Line 1 by Line 2	3	5,626,629.00
4. Number of months covered by this return	4	12
5. Multiply Line 3 by Line 4, divide the result by 12	5	5,626,629.00
6. TAX: (3 and 1/10 mills per dollar) Multiply Line 5 by .0031. (Maximum tax for Sch. B is \$1,000,000)	6	17,443.00

**SCHEDULE C - COMPUTATION OF AMOUNT PAYABLE (MINIMUM TAX \$250)**

1a. Tax (Greater of Schedule A, Line 6; Schedule B, Line 6; or \$250)	1a	149,783.00
1b. Surtax (Line 1a multiplied by 20% (.20))	1b	29,957.00
1c. Recapture of Tax Credits (See instructions)	1c	00
1. TOTAL TAX (Enter the total of Line 1a, Line 1b, and Line 1c. If no tax credits claimed, also enter on Line 6.)	1	179,740.00
2. Multiply Line 1 by 30% (.30)	2	53,922.00
3. Enter the greater of Line 2 or \$250	3	53,922.00
4. Tax Credit Limitation (Subtract Line 3 from Line 1)	4	125,818.00
5. Tax Credits (Form CT-1120K, Part II, Line 11. Do not exceed amount on Line 4.)	5	00
6. Balance of tax payable (Subtract Line 5 from Line 1)	6	179,740.00
7a. Paid with application for extension (Form CT-1120 EXT)	7a	00
7b. Paid with estimates (Forms CT-1120 ESA, ESB, ESC, & ESD)	7b	00
7c. Overpayment from prior year	7c	00
7. TAX PAYMENTS (Enter the total of Lines 7a, 7b, and 7c)	7	00
8. Balance of tax due (overpaid) (Subtract Line 7 from Line 6)	8	179,740.00
9. Add Penalty (9a) 00 Int. (9b) 00 Interest (9c) 00	9	00
10. Amount to be credited to 2004 est. tax (10a) 00 Refunded (10b) 00	10	00
11. Balance due with this return (Add Line 8 and Line 9)	11	179,740.00

Make check payable to: Commissioner of Revenue Services

(Attach check to return with paper clip. Do not staple.)

Department of Revenue Services

PO Box 2974, Hartford CT 06104-2974

Mail to:

☐ Check if you do not want a booklet sent to you next year. (Checking this box does not relieve you of your responsibility to file.)

**SCHEDULE D - COMPUTATION OF NET INCOME**

1. Federal taxable income (loss) before net operating loss and special deductions	1	2,009,155	00
2. Interest income wholly exempt from federal tax	2		00
3. Unallowable deduction for corporation tax (Schedule F, Line 8)	3		00
4. Interest expenses paid to a related member (Form CT-1120AB, Part I A, Line 1)	4		00
5. Intangible expenses and costs paid to a related member (Form CT-1120AB, Part I B, Line 1)	5		00
6. Federal bonus depreciation (See instructions)	6		00
7. TOTAL (Add Lines 1 through 6)	7	2,009,155	00
8. Dividend deduction (Form CT-1120 ATT, Schedule I, Line 4)	8	12,044	00
9. Capital loss carryover (if not deducted in computing federal capital gain)	9		00
10. Capital gain from sale of preserved land	10		00
11. Federal bonus depreciation recovery (Form CT-1120 ATT, Schedule J, Line 5)	11		00
12. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 1)	12		00
13. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 2)	13		00
14. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 3)	14		00
15. Exceptions to add back of intangible expenses paid to a related member (Form CT-1120 AB, Part II B, Line 1)	15		00
16. Other (Attach explanation)	16		00
17. TOTAL (Add Lines 8 through 16)	17	12,044	00
18. NET INCOME (Subtract Line 17 from Line 7. Enter here and on Schedule A, Line 1.)	18	1,997,111	00

**SCHEDULE E - COMPUTATION OF MINIMUM TAX BASE**

(See instructions)

	COLUMN A	COLUMN B	COLUMN C
	BEGINNING OF YEAR	END OF YEAR	(COLUMN A plus COLUMN B) DIVIDED BY 2
1. Capital stock (federal Schedule L, Line 22a and Line 22b)	1,000,000 00	1,000,000 00	
2. Surplus and undivided profits (federal Schedule L, Lines 23, 24, and 25)	10,178,186 00	-924,928 00	
3. Surplus reserves (Attach schedule)	00	00	
4. Total (Add Lines 1, 2, and 3). Enter average in Column C	11,178,186 00	75,072 00	5,626,629 00
5. Holdings of stock of private corporations (attach schedule). Enter average in Column C	00	00	00
6. Balance (Subtract Line 5, Column C, from Line 4, Column C. Enter here and on Schedule B, Line 1.)			5,626,629 00

**SCHEDULE F - TAXES**

	COLUMN A	COLUMN B
1. Payroll		00
2. Real property		00
3. Personal property		00
4. Sales and use		00
5. Other (See instructions)		00
6. Connecticut corporation business (Deducted in the computation of federal taxable income)		00
7. Tax on or measured by income or profits imposed by other states or political subdivisions (Deducted in the computation of federal taxable income). ATTACH SCHEDULE		00
8. Total unallowable deduction for corporation business tax purposes (Add Line 6 and Line 7, Column B. Enter here and on Schedule D, Line 3.)		00

**SCHEDULE G - ADDITIONAL REQUIRED INFORMATION - Attach a Schedule of Officers**

1. In which Connecticut town(s) does the corporation own or lease (as lessee) real or tangible personal property, or perform services?  
**WILTON, CT AND RIDGEFIELD, CT**

2. (a) Did this corporation directly or indirectly transfer a controlling interest in an entity owning Connecticut real property? ☐ Yes ☒ No  
 If "Yes," enter: Transferee Name \_\_\_\_\_ Federal Employer ID Number \_\_\_\_\_

(b) Was there a direct or indirect transfer of a controlling interest in your company owning Connecticut real property? ☐ Yes ☒ No  
 If "Yes," enter: Transferor Name \_\_\_\_\_ Federal Employer ID Number \_\_\_\_\_

3. Did any corporation at any time during the year own a majority of the voting stock of this corporation? ☐ Yes ☒ No  
 If "Yes," enter: Corporation Name \_\_\_\_\_ Federal Employer ID Number \_\_\_\_\_

4. Last taxable year this corporation was audited by the Internal Revenue Service \_\_\_\_\_  
 Were adjustments reported to Connecticut? ☐ Yes ☐ No (If "No," attach explanation.)

**DECLARATION:** I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand that the penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

<b>SIGN HERE</b> Keep a copy of this return for your records	Signature of Corporate Officer	Title	Date	May DRS contact the preparer shown below about this return? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (See Instructions, Page 17)
	Paid Preparer's Signature		Telephone Number	
	Firm's Name and Address	Date	Preparer's SSN or PTIN	
	JEFFERSON, URIAN, DOANE & STERNER, P.A. PO BOX 477 OCEAN VIEW, DE 19970-0477	1/25/06 FEIN 51-0212284	P00319104 Telephone Number 302-520-5542	

Department of Revenue Services  
State of Connecticut

2003

**Form CT-1120 ATT**  
**Corporation Business Tax Return Attachment**  
**Schedules H, I, and J**

- See Instructions on Reverse -

CONNECTICUT TAX REGISTRATION NUMBER

Corporation Name

**EMC CAPITAL CORP****SCHEDULE H - Connecticut Apportioned Operating Loss Carryover**

	Connecticut Apportioned Income (Loss)	Loss Applied to Income Year 1999	Loss Applied to Income Year 2000	Loss Applied to Income Year 2001	Loss Applied to Income Year 2002	<b>COLUMN A</b> Loss Applied to Income Year 2003		<b>COLUMN B</b> Remaining Loss Available for 2004	
1. <b>1998</b>									
2. <b>1999</b>									
3. <b>2000</b>									
4. <b>2001</b>									
5. <b>2002</b>									
6. <b>TOTAL</b> (Add Lines 1 through 5 in Column A, and Lines 2 through 5 in Column B, and enter here. Enter the amount from Line 6, Column A on Form CT-1120, Schedule A, Line 4.)							00		00

**SCHEDULE I - Dividend Deduction**

	<b>COLUMN A</b> Amount		<b>COLUMN B</b> Deduction Rate		<b>COLUMN C</b> Balance (Col. A x Col. B)		<b>COLUMN D</b> Related Expenses (attach schedule)		<b>COLUMN E</b> Dividend Deduction (Col. C - Col. D)	
1. Dividend Income included in Computation of Federal Taxable Income (Form CT-1120, Schedule D, Line 1). See Instructions.	12,044	00								
2. Dividends from domestic corporations less than 20% owned.		00	70% (.70)				00			00
3. Dividend Balance (Subtract Line 2 from Line 1).	12,044	00	100% (1.0)		12,044		00		12,044	00
4. <b>TOTAL DIVIDEND DEDUCTION</b> (Add Line 2, Column E, and Line 3, Column E. Enter the result here and on Form CT-1120, Schedule D, Line 8)									12,044	00

**SCHEDULE J - Bonus Depreciation Recovery**

<b>Assets Subject to I.R.C. §168(k) Placed in Service During Income Year</b>		<b>COLUMN A</b> 2003 MACRS Depreciation on Federal Basis (After I.R.C. §168(k) Bonus)		<b>COLUMN B</b> 2003 MACRS Depreciation on Connecticut Basis (Without I.R.C. §168(k) Bonus)		<b>COLUMN C</b> 2003 Recovery of I.R.C. §168(k) Bonus Depreciation (Col. B - Col. A)	
1. <b>2000</b>							00
2. <b>2001</b>							00
3. <b>2002</b>							00
4. <b>2003</b>							00
5. <b>FEDERAL BONUS DEPRECIATION RECOVERY</b> (Add Lines 1, 2, 3, and 4, in Column C. Enter the result here and on Form CT-1120, Schedule D, Line 11)							00



K

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Form 1065

## U.S. Return of Partnership Income

OMB No. 1545-0099

Department of the Treasury  
Internal Revenue ServiceFor calendar year 2000, or tax year beginning 2/11, 2000, and ending 12/31, 2000

▶ See separate instructions.

2000

A Principal business activity

CONSULTING

B Principal product or service

PETROLEUM

C Business code number

541990

Use the  
IRS  
label.  
Other-  
wise,  
print  
or type.WILLIAMS TECHNOLOGIES LLC  
320 SOUTH BOSTON, STE 831  
TULSA, OK 74103-3718

D Employer identification number

73-1418240

E Date business started

2/11/2000

F Total assets (see page 13  
of the instructions)

\$ 564,413

G Check applicable boxes: (1) ☒ Initial return (2) ☐ Final return (3) ☐ Change in address (4) ☐ Amended returnH Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year .... 2

Caution: Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

		1a		1c
INCOME	1a Gross receipts or sales	1a	17,198	
	b Less returns and allowances	1b		17,198
	2 Cost of goods sold (Schedule A, line 8)	2		
	3 Gross profit. Subtract line 2 from line 1c	3	17,198	
	4 Ordinary income (loss) from other partnerships, estates and trusts (attach schedule)	4		
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5		
	6 Net gain (loss) from Form 4797, Part II, line 18	6		
7 Other income (loss) (attach schedule)	7			
8 Total income (loss). Combine lines 3 through 7	8	17,198		
DEDUCTIONS FOR AGGREGATE	9 Salaries and wages (other than to partners) (less employment credits)	9	172,277	
	10 Guaranteed payments to partners	10		
	11 Repairs and maintenance	11		
	12 Bad debts	12		
	13 Rent	13	55,711	
	14 Taxes and licenses	14	12,333	
	15 Interest	15		
	16a Depreciation (if required, attach Form 4562)	16a		
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c
	17 Depletion (Do not deduct oil and gas depletion.)	17		
	18 Retirement plans, etc	18		
	19 Employee benefit programs	19	6,247	
	20 Other deductions (attach schedule)	20	SEE STATEMENT 1	117,119
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21	363,687		
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8	22	-346,489		

Sign here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member

Date

Preparer's  
signature  
Preparer's  
name OnlyPreparer's  
signature

Date

Check if  
self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours  
if self-employed),  
address, and ZIP codeCHARLES F. CURCIO, CPA  
305-A AZALEA COURT  
BETHANY BEACH, DE 19930-0906EIN ▶  
Phone no.

(410) 893-2768

Paperwork Reduction Act Notice, see separate instructions.

Form 1065 (2000)

**Schedule A** Cost of Goods Sold (see page 17 of the instructions)

1	Inventory at beginning of year .....	1	
2	Purchases less cost of items withdrawn for personal use .....	2	
3	Cost of labor .....	3	
4	Additional section 263A costs (attach schedule) .....	4	
5	Other costs (attach schedule) .....	5	
6	Total. Add lines 1 through 5 .....	6	
7	Inventory at end of year .....	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 .....	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3  
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
(iii) ☐ Other (specify method used and attach explanation) ▶

**b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ..... ☐

**c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970). ..... ☐

**d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ..... ☐ Yes ☐ No

**e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ..... ☐ Yes ☐ No

If "Yes," attach explanation.

**Schedule B** Other Information**1** What type of entity is filing this return? Check the applicable box:

- a** ☐ Domestic general partnership      **b** ☐ Domestic limited partnership  
**c** ☒ Domestic limited liability company      **d** ☐ Domestic limited liability partnership  
**e** ☐ Foreign partnership      **f** ☐ Other ▶

**2** Are any partners in this partnership also partnerships? ..... ☐ Yes ☒ No

**3** During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment ..... ☐ Yes ☒ No

**4** Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If "Yes," see Designation of Tax Matters Partner below ..... ☐ Yes ☒ No

**5** Does this partnership meet all three of the following requirements?

- a** The partnership's total receipts for the tax year were less than \$250,000;  
**b** The partnership's total assets at the end of the tax year were less than \$600,000; and  
**c** Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.  
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1. .... ☐ Yes ☒ No

**6** Does this partnership have any foreign partners? ..... ☐ Yes ☒ No

**7** Is this partnership a publicly traded partnership as defined in section 469(k)(2)? ..... ☐ Yes ☒ No

**8** Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter? ..... ☐ Yes ☒ No

**9** At any time during calendar year 2000, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See page 19 of the instructions for exceptions and filing requirements for Form TD 90-22.1. If "Yes," enter the name of the foreign country. .... ☐ Yes ☒ No

**10** During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See page 19 of the instructions ..... ☐ Yes ☒ No

**11** Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under Elections Made By the Partnership on page 7 of the instructions ..... ☐ Yes ☒ No

**12** Enter the number of Forms 8865 attached to this return ▶ 0

**Designation of Tax Matters Partner** (see page 19 of the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶

Identifying number of TMP ▶

Address of designated TMP ▶

**Schedule K Partners' Shares of Income, Credits, Deductions, etc.**

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22) .....	1	-346,489
	2 Net income (loss) from rental real estate activities (attach Form 8825) .....	2	
	3a Gross income from other rental activities .....	3a	
	b Expenses from other rental activities .....	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a .....	3c	
	4 Portfolio income (loss): a Interest income .....	4a	
	b Ordinary dividends .....	4b	
	c Royalty income .....	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065)) .....	4d	
	e Net long-term capital gain (loss) (attach Schedule D (Form 1065)):		
(1) 28% rate gain (loss) ▶ .....	4e(1)		
(2) Total for year .....	4e(2)		
f Other portfolio income (loss) (attach schedule) .....	4f		
5 Guaranteed payments to partners .....	5		
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797) .....	6		
7 Other income (loss) (attach schedule) .....	7		
Deductions	8 Charitable contributions (attach schedule) .....	8	
	9 Section 179 expense deduction (attach Form 4562) .....	9	
	10 Deductions related to portfolio income (itemize) .....	10	
	11 Other deductions (attach schedule) .....	11	42,750
Credits	12a Low-income housing credit:		
	(1) From partnerships to which section 42(j)(5) applies for property placed in service before 1990 .....	12a(1)	
	(2) Other than on line 12a(1) for property placed in service before 1990 .....	12a(2)	
	(3) From partnerships to which section 42(j)(5) applies for property placed in service after 1989 .....	12a(3)	
	(4) Other than on line 12a(3) for property placed in service after 1989 .....	12a(4)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach schedule) .....	12b	
	c Credits (other than credits on lines 12a & 12b) related to rental real estate activities .....	12c	
	d Credits related to other rental activities .....	12d	
13 Other credits .....	13		
Investment Interest	14a Interest expense on investment debts .....	14a	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above .....	14b(1)	
Self- Employment	(2) Investment expenses included on line 10 above .....	14b(2)	
	15a Net earnings (loss) from self-employment .....	15a	
	b Gross farming or fishing income .....	15b	
Adjustments and Tax Preference Items	c Gross nonfarm income .....	15c	
	16a Depreciation adjustment on property placed in service after 1986 .....	16a	
	b Adjusted gain or loss .....	16b	
	c Depletion (other than oil and gas) .....	16c	
	d (1) Gross income from oil, gas, and geothermal properties .....	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties .....	16d(2)	
	e Other adjustments and tax preference items (attach schedule) .....	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession ▶ .....		
	b Gross income sourced at partner level .....	17b	
	c Foreign gross income sourced at partnership level:		
	(1) Passive ▶ .....	17c(1)	
	(2) Listed categories .....	17c(2)	
	(3) General limitation ▶ .....	17c(3)	
	d Deductions allocated and apportioned at partner level:		
	(1) Interest expense ▶ .....	17d(1)	
(2) Other .....	17d(2)		
e Deductions allocated and apportioned at partnership level to foreign source income:			
(1) Passive ▶ .....	17e(1)		
(2) Listed categories .....	17e(2)		
(3) General limitation ▶ .....	17e(3)		
f Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> .....	17f		
g Reduction in taxes available for credit and gross income from all sources .....	17g		
Other	18 Section 59(e)(2) expenditures: a Type ▶ .....	18a	
	b Amount ▶ .....	18b	
	19 Tax-exempt interest income .....	19	
	20 Other tax-exempt income .....	20	
	21 Nondeductible expenses .....	21	1,068
	22 Distributions of money (cash and marketable securities) .....	22	
	23 Distributions of property other than money .....	23	
24 Other items and amounts required to be reported separately to partners (attach schedule) .....			

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17f, and 18b						1	-389,239
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a Gen. partners							
b Lim. partners	-389,239						

**Schedule B Balance Sheets per Books** (Not required if Question 5 on Schedule B is answered "Yes.")

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash				26,913
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Mortgage and real estate loans				
8 Other investments (attach schedule) SEE ST. 3				512,500
9a Buildings and other depreciable assets				
b Less accumulated depreciation				
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach schedule) SEE ST. 4				25,000
14 Total assets				564,413
<b>Liabilities and Capital</b>				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule) SEE ST. 5				829,720
21 Partners' capital accounts				-265,307
22 Total liabilities and capital				564,413

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

(Not required if Question 5 on Schedule B is answered "Yes." See page 30 of the instructions.)

1 Net income (loss) per books	-390,307	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17f, and 18b not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17f, & 18b (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$ 1,068	1,068	9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	-389,239
i Add lines 1 through 4	-389,239		

**Schedule M-2 Analysis of Partners' Capital Accounts** (Not required if Question 5 on Schedule B is answered "Yes.")

Balance at beginning of year	0	6 Distributions:	
Capital contributed during year	125,000	a Cash	
Net income (loss) per books	-390,307	b Property	
Other increases (itemize):		7 Other decreases (itemize):	
		8 Add lines 6 and 7	
Add lines 1 through 4	-265,307	9 Balance at end of year. Subtract line 8 from line 5	-265,307

**SCHEDULE K-1**

(Form 1065)

 Department of the Treasury  
Internal Revenue Service

**Partner's Share of Income, Credits, Deductions, etc.**

For calendar year 2000 or tax year beginning 2/11, 2000, and ending 12/31, 2000

OMB No. 1545-0099

**2000**

Partner's identifying number 13-4104912

Partner's name, address, and ZIP code

 ENERGY MERCHANT HOLDING INC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

Partnership's identifying number 73-1418240

Partnership's name, address, and ZIP code

 WILLIAMS TECHNOLOGIES LLC  
320 SOUTH BOSTON, STE 831  
TULSA, OK 74103-3718

 A This partner is a ☐ general partner ☐ limited partner ☒ LLC member

B What type of entity is this partner? CORPORATION

 C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's percentage of: (i) Before change or termination (ii) End of year

Profit sharing 100% 100%

Loss sharing 100% 100%

Ownership of capital 80% 80%

E IRS Center where partnership filed return: AUSTIN

F Partner's share of liabilities: Nonrecourse \$

Qualified nonrecourse financing \$

Other \$ 829,720

G Tax shelter registration number

 H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

 I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
0	100,000	-390,307		-290,307

**(a) Distributive share item**
**(b) Amount**
**(c) 1040 filers enter on:**

Income (Loss)	1	Ordinary income (loss) from trade or business activities	1	-346,489	See Partner's Instructions for Schedule K-1 (Form 1065).
	2	Net income (loss) from rental real estate activities	2		
	3	Net income (loss) from other rental activities	3		
	4	Portfolio income (loss):			
	a	Interest	4a		Sch. B, Part I, line 1
	b	Ordinary dividends	4b		Sch. B, Part II, line 5
	d	Net short-term capital gain (loss)	4d		Sch. D, line 5, col. (f)
	e	Net long-term capital gain (loss):			
	(1)	28% rate gain (loss)	e(1)		Sch. D, line 12, col. (g)
	(2)	Total for year	e(2)		Sch. D, line 12, col. (f)
Deductions	5	Guaranteed payments to partner	5		See Partner's Instructions for Schedule K-1 (Form 1065). Enter on applicable line of your return.
	6	Net gain (loss) under section 1231 (other than due to casualty or theft)	6		
	7	Other income (loss) (attach schedule)	7		
	8	Charitable contributions (see instructions)	8		
Credits	9	Section 179 expense deduction	9		See Partner's Instructions for Schedule K-1 (Form 1065).
	10	Deductions related to portfolio income	10		
	11	Other deductions (attach schedule) SEE LINE 25	11	42,750	
Investment Interest	13	Other credits	13		See Ptr's instr, Sch K-1 (Form 1065)
	14	Interest expense on investment debts	14a		Form 4952, line 1
	b	(1) Investment income included on lines 4a and 4b above	b(1)		See Partner's Instructions for Schedule K-1 (Form 1065).
Self-employment	(2)	Investment expenses included on line 10 above	b(2)		
	15 a	Net earnings (loss) from self-employment	15a		Sch. SE, Section A or B
	b	Gross farming or fishing income	15b		See Partner's Instructions for Schedule K-1 (Form 1065).
Adjustments and Tax ref. Items	c	Gross nonfarm income	15c		
	16 a	Depreciation adjustment on property placed in service after 1986	16a		See Partner's Instr for Sch K-1 (Form 1065) and instructions for Form 6251.
	b	Adjusted gain or loss	16b		
	e	Other adjustments & tax preference items	16e		
Other	19	Tax-exempt interest income	19		Form 1040, line 8b
	21	Nondeductible expenses	21	1,068	See Partner's Instructions for Schedule K-1 (Form 1065).
	22	Distributions of money (cash and marketable securities)	22		

25 Supplemental information required to be reported separately to each partner:

**LINE 11  
OTHER DEDUCTIONS**

 DRY HOLE - IDC'S \$ 42,750  
TOTAL \$ 42,750

**SCHEDULE K-1**
**(Form 1065)**

 Department of the Treasury  
Internal Revenue Service

**Partner's Share of Income, Credits, Deductions, etc.**

OMB No. 1545-0099

**2000**

For calendar year 2000 or tax year beginning 2/11, 2000, and ending 12/31, 2000

**Partner's identifying number** 363-42-0523

**Partnership's identifying number** 73-1418240

Partner's name, address, and ZIP code

 HENRY J BROLICK  
5430 EAST 103RD PLACE  
TULSA, OK 74137

Partnership's name, address, and ZIP code

 WILLIAMS TECHNOLOGIES LLC  
320 SOUTH BOSTON, STE 831  
TULSA, OK 74103-3718

**A** This partner is a ☐ general partner ☐ limited partner ☒ LLC member

**B** What type of entity is this partner? **INDIVIDUAL**
**C** Is this partner a ☒ domestic or a ☐ foreign partner?

**D** Enter partner's percentage of: (i) Before change or termination (ii) End of year

Profit sharing ..... 0% ..... 0%

Loss sharing ..... 0% ..... 0%

Ownership of capital ..... 20% ..... 20%

**E** IRS Center where partnership filed return: **AUSTIN**
**F** Partner's share of liabilities: Nonrecourse... \$

Qualified nonrecourse financing ..... \$

Other ..... \$

**G** Tax shelter registration number .....

**H** Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐
**I** Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
0	25,000			25,000

(a) Distributive share item			(b) Amount	(c) 1040 filers enter on:
Income (Loss)	1	Ordinary income (loss) from trade or business activities . . . . .	1	} See Partner's Instructions for Schedule K-1 (Form 1065).
	2	Net income (loss) from rental real estate activities . . . . .	2	
	3	Net income (loss) from other rental activities . . . . .	3	
	4	Portfolio income (loss):		
	a	Interest . . . . .	4a	Sch. B, Part I, line 1
	b	Ordinary dividends . . . . .	4b	Sch. B, Part II, line 5
	d	Net short-term capital gain (loss) . . . . .	4d	Sch. D, line 5, col. (f)
	e	Net long-term capital gain (loss):		
	(1)	28% rate gain (loss) . . . . .	e(1)	Sch. D, line 12, col. (g)
	(2)	Total for year . . . . .	e(2)	Sch. D, line 12, col. (f)
5	Guaranteed payments to partner . . . . .	5	} See Partner's Instructions for Schedule K-1 (Form 1065).	
6	Net gain (loss) under section 1231 (other than due to casualty or theft) . . . . .	6		
7	Other income (loss) (attach schedule) . . . . .	7		Enter on applicable line of your return.
Deductions	8	Charitable contributions (see instructions) . . . . .	8	Sch. A, line 15 or 16
	9	Section 179 expense deduction . . . . .	9	} See Partner's Instructions for Schedule K-1 (Form 1065).
	10	Deductions related to portfolio income . . . . .	10	
	11	Other deductions (attach schedule) . . . . .	11	
Credits	13	Other credits . . . . .	13	See Ptr's instr, Sch K-1 (Form 1065)
Invest- ment interest	14	Interest expense on investment debts . . . . .	14a	Form 4952, line 1
	b	(1) Investment income included on lines 4a and 4b above . . . . .	b(1)	} See Partner's Instructions for Schedule K-1 (Form 1065).
		(2) Investment expenses included on line 10 above . . . . .	b(2)	
Self- employment	15 a	Net earnings (loss) from self-employment . . . . .	15a	Sch. SE, Section A or B
	b	Gross farming or fishing income . . . . .	15b	} See Partner's Instructions for Schedule K-1 (Form 1065).
	c	Gross nonfarm income . . . . .	15c	
Adjustments and Tax pref. Items	16 a	Depreciation adjustment on property placed in service after 1986 . . . . .	16a	} See Partner's Instr for Sch K-1 (Form 1065) and instructions for Form 6251.
	b	Adjusted gain or loss . . . . .	16b	
	e	Other adjustments & tax preference items . . . . .	16e	
Other	19	Tax-exempt interest income . . . . .	19	Form 1040, line 8b
	21	Nondeductible expenses . . . . .	21	} See Partner's Instructions for Schedule K-1 (Form 1065.)
	22	Distributions of money (cash and marketable securities) . . . . .	22	
25 Supplemental information required to be reported separately to each partner:				

WILLIAMS TECHNOLOGIES LLC

73-1418240

**STATEMENT 1**  
**FORM 1065, LINE 20**  
**OTHER DEDUCTIONS**

DUES AND SUBSCRIPTIONS .....	\$	3,128
INSURANCE .....		3,107
LEGAL AND PROFESSIONAL .....		13,934
MEALS AND ENTERTAINMENT .....		1,068
MISCELLANEOUS .....		264
OFFICE EXPENSE .....		12,823
OUTSIDE SERVICES .....		40,335
POSTAGE .....		825
PRINTING .....		819
TELEPHONE .....		10,698
TEMPORARY HELP .....		12,776
TRAVEL .....		17,342
TOTAL	\$	<u>117,119</u>

**STATEMENT 2**  
**FORM 1065, SCHEDULE K, LINE 11**  
**OTHER DEDUCTIONS**

DRY HOLE - IDC'S .....	\$	42,750
TOTAL	\$	<u>42,750</u>

**STATEMENT 3**  
**FORM 1065, SCHEDULE L, LINE 8**  
**OTHER INVESTMENTS**

	BEGINNING	ENDING
HORIZON NRI - CHETOPA CREEK .....	\$ 0	512,500
TOTAL	\$ <u>0</u>	\$ <u>512,500</u>

**STATEMENT 4**  
**FORM 1065, SCHEDULE L, LINE 13**  
**OTHER ASSETS**

	BEGINNING	ENDING
CONTRIBUTED GOODWILL .....	\$ 0	25,000
TOTAL	\$ <u>0</u>	\$ <u>25,000</u>



2000

## FEDERAL STATEMENTS

PAGE 2

WILLIAMS TECHNOLOGIES LLC

73-1418240

STATEMENT 5  
FORM 1065, SCHEDULE L, LINE 20  
OTHER LIABILITIES

	BEGINNING	ENDING
	-----	-----
DUE TO MEMBERS .....	\$ 0	829,720
TOTAL	<u>\$ 0</u>	<u>\$ 829,720</u>

Form **8453-P****U.S. Partnership Declaration and  
Signature for Electronic Filing**

OMB No. 1545-0970

Department of the Treasury  
Internal Revenue ServiceFor calendar year 2001, or fiscal year beginning \_\_\_\_\_, 2001, and ending \_\_\_\_\_, 20\_\_\_\_\_  
▶ See instructions.**2001**

Name of Partnership

WILLIAMS TECHNOLOGIES LLC

Employer Identification Number

73-1418240

**Partnership Return Information**

1	Gross receipts or sales less returns and allowances (Form 1065, line 1c).....	1	12,715.
2	Gross profit (Form 1065, line 3).....	2	12,715.
3	Ordinary income (loss) from trade or business activities (Form 1065, line 22).....	3	-394,728.
4	Net income (loss) from rental real estate activities (Form 1065, Schedule K, line 2).....	4	
5	Net income (loss) from other rental activities (Form 1065, Schedule K, line 3c).....	5	

**Transmitter Information**

6 Transmitter's Name

LACERTE SOFTWARE CORP.

**Declaration of General Partner or Limited Liability Company Member****Sign  
Here**

Under penalties of perjury, I declare that the above amounts (or the amounts on the attached listing) agree with the amounts shown on the corresponding lines of the electronic portion of the 2001 U.S. Return(s) of Partnership Income. I have also examined a copy of the return(s) being filed electronically with the Internal Revenue Service, and all accompanying schedules and statements. To the best of my knowledge and belief, they are true, correct, and complete. If I am not the transmitter, I consent that the return(s), including this declaration and accompanying schedules and statements, be sent to the Internal Revenue Service by the return transmitter. I also consent to the IRS' sending the transmitter an acknowledgment of receipt of transmission and an indication of whether or not the return is accepted, and, if rejected, the reason(s) for the rejection.

Signature of General Partner or Limited Liability Company Member

Date

**Declaration of Paid Preparer See instructions.****Paid  
Preparer's  
Use Only**

Under penalties of perjury, I declare that I have examined the above partnership return(s) and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

Preparer's Signature	▶ CHARLES F CURCIO	Date	4/24/02	Check if self-employed	<input checked="" type="checkbox"/>	Preparer's SSN or PTIN	217-60-9635
Firm's Name (or yours if self-employed), Address, and ZIP Code	▶ CHARLES F. CURCIO, CPA PO BOX 549 BEL AIR, MD 21014		EIN	▶ 217-60-9635			
			Phone Number	302 537-2875			

BAA For Paperwork Reduction Act Notice, see instructions.

Form **8453-P** (2001)

Form **1065** Department of the Treasury Internal Revenue Service **U.S. Return of Partnership Income** **2001**

► See separate instructions.

IRS use only — Do not write or staple in this space.

For calendar year 2001, or tax year beginning , 2001, and ending , 20 OMB No. 1545-0099

<b>A</b> Principal Business Activity	Use the IRS label. Otherwise, print or type.	WILLIAMS TECHNOLOGIES LLC 126 EAST 56TH STREET, 33 FLOOR NEW YORK, NY 10022	<b>D</b> Employer Identification Number
<b>B</b> Principal Product or Service			73-1418240
<b>C</b> Business Code Number			<b>E</b> Date Business Started
CONSULTING	PETROLEUM	541990	2/11/2000
			<b>F</b> Total Assets (see instrs)
			\$ 448,174.

**G** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☒ Address change (5) ☐ Amended return

**H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) . . . . .

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. . . . . 2

**Caution:** Include *only* trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>INCOME</b>	<b>1a</b> Gross receipts or sales . . . . .	<b>1a</b>	12,715.		
	<b>b</b> Less returns and allowances . . . . .	<b>1b</b>		<b>1c</b>	12,715.
	<b>2</b> Cost of goods sold (Schedule A, line 8) . . . . .			<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c. . . . .			<b>3</b>	12,715.
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) . . . . .			<b>4</b>	
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . .			<b>5</b>	
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18 . . . . .			<b>6</b>	
	<b>7</b> Other income (loss) (attach schedule) . . . . .			<b>7</b>	
<b>8</b> Total income (loss). Combine lines 3 through 7 . . . . .			<b>8</b>	12,715.	
<b>SEE INSTRUCTIONS FOR DEDUCTIONS FOR LIMITATIONS</b>	<b>9</b> Salaries and wages (other than to partners) (less employment credits) . . . . .			<b>9</b>	241,782.
	<b>10</b> Guaranteed payments to partners . . . . .			<b>10</b>	
	<b>11</b> Repairs and maintenance . . . . .			<b>11</b>	1,510.
	<b>12</b> Bad debts . . . . .			<b>12</b>	
	<b>13</b> Rent . . . . .			<b>13</b>	67,794.
	<b>14</b> Taxes and licenses . . . . .		SEE STATEMENT 1	<b>14</b>	13,927.
	<b>15</b> Interest . . . . .			<b>15</b>	
	<b>16a</b> Depreciation (if required, attach Form 4562) . . . . .	<b>16a</b>	1,086.		
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return . . . . .	<b>16b</b>		<b>16c</b>	1,086.
	<b>17</b> Depletion (Do not deduct oil and gas depletion.) . . . . .			<b>17</b>	
	<b>18</b> Retirement plans, etc. . . . .			<b>18</b>	
	<b>19</b> Employee benefit programs . . . . .			<b>19</b>	7,906.
	<b>20</b> Other deductions (attach schedule) . . . . .		SEE STATEMENT 2	<b>20</b>	73,438.
	<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20. . . . .			<b>21</b>	407,443.
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8. . . . .			<b>22</b>	-394,728.	

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.		Date	May the IRS discuss this return with the preparer shown below (see instrs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Signature of General Partner or Limited Liability Company Member			
<b>Paid Preparer's Use Only</b>	Preparer's Signature	CHARLES F CURCIO	Date	4/24/02
	Firm's Name (or yours if self-employed), Address, and ZIP Code	CHARLES F. CURCIO, CPA PO BOX 549 BEL AIR, MD 21014		
	Check if self-employed. . . . .	<input checked="" type="checkbox"/>	Preparer's SSN or PTIN	217-60-9635
	EIN	217-60-9635	Phone No.	(302) 537-2875

**Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases less cost of items withdrawn for personal use.....	2	
3	Cost of labor.....	3	
4	Additional Section 263A costs (attach schedule).....	4	
5	Other costs (attach schedule).....	5	
6	<b>Total.</b> Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2.....	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations Section 1.471-3
- (ii) ☐ Lower of cost or market as described in Regulations Section 1.471-4
- (iii) ☐ Other (specify method used and attach explanation)..... ▶

**b** Check this box if there was a writedown of 'subnormal' goods as described in Regulations Section 1.471-2(c)..... ▶ ☐ Yes ☐ No

**c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)..... ▶ ☐ Yes ☐ No

**d** Do the rules of Section 263A (for property produced or acquired for resale) apply to the partnership?..... ☐ Yes ☐ No

**e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory?..... ☐ Yes ☐ No

If 'Yes', attach explanation.

**Other Information**

<b>1</b> What type of entity is filing this return? Check the applicable box:	<b>Yes</b>	<b>No</b>
<b>a</b> <input type="checkbox"/> Domestic general partnership		
<b>c</b> <input checked="" type="checkbox"/> Domestic limited liability company		
<b>e</b> <input type="checkbox"/> Foreign partnership		
<b>b</b> <input type="checkbox"/> Domestic limited partnership		
<b>d</b> <input type="checkbox"/> Domestic limited liability partnership		
<b>f</b> <input type="checkbox"/> Other..... ▶		
<b>2</b> Are any partners in this partnership also partnerships?.....		X
<b>3</b> During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations Sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment.....		X
<b>4</b> Is this partnership subject to the consolidated audit procedures of Sections 6221 through 6233? If 'Yes,' see <b>Designation of Tax Matters Partner</b> below.....		X
<b>5</b> Does this partnership meet <b>all three</b> of the following requirements? <b>a</b> The partnership's total receipts for the tax year were less than \$250,000; <b>b</b> The partnership's total assets at the end of the tax year were less than \$600,000; and <b>c</b> Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item J on Schedule K-1.....		X
<b>6</b> Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions.....		X
<b>7</b> Is this partnership a publicly traded partnership as defined in Section 469(k)(2)?.....		X
<b>8</b> Has this partnership filed, or is it required to file, <b>Form 8264</b> , Application for Registration of a Tax Shelter?.....		X
<b>9</b> At any time during calendar year 2001, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country.....		X
<b>10</b> During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions.....		X
<b>11</b> Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under Section 754 by attaching the statement described in the instructions under <b>Elections Made by the Partnership</b> .....		X
<b>12</b> Enter the number of Forms 8865 attached to this return ▶ 0		

**Designation of Tax Matters Partner** (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of Designated TMP ▶ ENERGY MERCHANT HOLDING INC

Identifying Number of TMP ▶ 13-4104912

Address of Designated TMP ▶ 126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

**Partners' Shares of Income, Credits, Deductions, etc****(a) Distributive share items****(b) Total amount**

<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-394,728.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach sch)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss): a Interest income	4a	
	b Ordinary dividends	4b	
	c Royalty income	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e (1)	
(2) 28% rate gain (loss) (3) Qualified 5-year gain			
f Other portfolio income (loss) (attach schedule)	4f		
5 Guaranteed payments to partners	5		
6 Net Section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6		
7 Other income (loss)	7		
<b>Deductions</b>	8 Charitable contributions (attach schedule) SEE STATEMENT 3	8	2,000.
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions	11	
<b>Credits</b>	12a Low-income housing credit:		
	(1) From partnerships to which Section 42(j)(5) applies	12a (1)	
	(2) Other than on line 12a(1)	12a (2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
13 Other credits	13		
<b>Investment Interest</b>	14a Interest expense on investment debts	14a	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)	
	(2) Investment expenses included on line 10 above	14b (2)	
<b>Self-Employment</b>	15a Net earnings (loss) from self-employment	15a	
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
<b>Adjustments and Tax Preference Items</b>	16a Depreciation adjustment on property placed in service after 1986	16a	272.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d (1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)	
	e Other adjmnts & tax pref items	16e	
<b>Foreign Taxes</b>	17a Name of foreign country or U.S. possession		
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17d (3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense (2) Other	17e (2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17f (3)	
	g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
h Reduction in taxes available for credit (attach schedule)	17h		
<b>Other</b>	18 Section 59(e)(2) expenditures: a Type SEE STATEMENT 4 b Amount	18b	140,071.
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	1,560.
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	
	24 Other items and amounts required to be reported separately to partners (attach schedule)		

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b.						1	-536,799.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	-536,799.						

**Balance Sheets per Books** (Not required if question 5 on Schedule B is answered 'Yes.')

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		26,913.		200.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Mortgage and real estate loans				
8 Other investments (attach schedule) SEE ST. 5.		512,500.		441,514.
9a Buildings and other depreciable assets			7,603.	
b Less accumulated depreciation			1,143.	6,460.
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		539,413.		448,174.
<b>Liabilities and Capital</b>				
15 Accounts payable				5,091.
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach sch)				
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule) SEE ST. 6.		829,719.		1,271,805.
21 Partners' capital accounts		-290,306.		-828,722.
22 Total liabilities and capital		539,413.		448,174.

**Reconciliation of Income (Loss) per Books with Income (Loss) per Return**  
(Not required if question 5 on Schedule B is answered 'Yes.')

1 Net income (loss) per books	-538,416.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation \$	
a Depreciation \$ 57.		8 Add lines 6 and 7	
b Travel and entertainment \$ 1,560.		9 Income (loss) (Analysis of net income (loss), line 1). Subtract line 8 from line 5.	-536,799.
5 Add lines 1 through 4	-536,799.		

**Analysis of Partners' Capital Accounts** (Not required if question 5 on Schedule B is answered 'Yes.')

1 Balance at beginning of year	-290,306.	6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books	-538,416.	7 Other decreases (itemize):	
4 Other increases (itemize):		8 Add lines 6 and 7	
5 Add lines 1 through 4	-828,722.	9 Balance at end of year. Subtract line 8 from line 5.	-828,722.

**Schedule K-1**  
(Form 1065)

**Partner's Share of Income, Credits, Deductions, Etc**

OMB No. 1545-0099

**2001**

Department of the Treasury  
Internal Revenue Service

beginning

For calendar year 2001 or tax year

, 2001, and ending

, 20

**Partner's identifying number** ▶ 13-4104912

**Partnership's identifying number** ▶ 73-1418240

Partner's Name, Address, and ZIP Code

ENERGY MERCHANT HOLDING INC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

Partnership's Name, Address, and ZIP Code

WILLIAMS TECHNOLOGIES LLC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

**A** This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

**B** What type of entity is this partner? ▶ CORPORATION

**C** Is this partner a ☒ domestic or a ☐ foreign partner?

**D** Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	0 %	100 %
Loss sharing	0 %	100 %
Ownership of capital	0 %	100 %

**E** IRS Center where partnership filed return: MEMPHIS

**F** Partner's share of liabilities:

Nonrecourse..... \$  
Qualified nonrecourse financing..... \$  
Other..... \$

**G** Tax shelter registration number ▶

**H** Check here if this partnership is a publicly traded partnership as defined in Section 469(k)(2) ☐

**I** Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-290,306.		-538,416.		-828,722.

**(a) Distributive share item**

**(b) Amount**

**(c) 1040 filers enter the amount in column (b) on:**

<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities.....	1	-394,728.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2		
	3 Net income (loss) from other rental activities.....	3		
	4 Portfolio income (loss):			
	a Interest.....	4a		Schedule B, Part I, line 1
	b Ordinary dividends.....	4b		Schedule B, Part II, line 5
	c Royalties.....	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d		Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)		Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)		Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)		Line 4 of worksheet for Sch D, line 29
	f Other portfolio income (loss) (attach schedule).....	4f		Enter on applicable line of your return
	5 Guaranteed payments to partner.....	5		
<b>Deductions</b>	6 Net Section 1231 gain (loss) (other than due to casualty or theft).....	6		See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7		Enter on applicable line of your return
	8 Charitable contributions (see instructions) (attach schedule)..... SEE LINE 25	8	2,000.	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9		
	10 Deductions related to portfolio income (attach schedule).....	10		See Partner's Instructions for Schedule K-1 (Form 1065).
<b>Credits</b>	11 Other deductions (attach schedule).....	11		
	12a Low-income housing credit:			
	(1) From Section 42(j)(5) partnerships.....	12a(1)		Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)		
	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b		See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c		
	d Credits related to other rental activities.....	12d		
	13 Other credits.....	13		

**BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.**

**Schedule K-1 (Form 1065) 2001**

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts.....	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f.....	14b(1)	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10.....	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment.....	15a	Schedule SE, Section A or B
	b Gross farming or fishing income.....	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income.....	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986.....	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.
	b Adjusted gain or loss.....	16b	
	c Depletion (other than oil and gas).....	16c	
	d (1) Gross income from oil, gas, and geothermal properties.....	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties.....	16d(2)	
	e Other adjustments & tax preference items (attach sch.).....	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession. ▶		Form 1116, Part I
	b Gross income from all sources.....	17b	
	c Gross income sourced at partner level.....	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive.....	17d(1)	
	(2) Listed categories (attach schedule).....	17d(2)	
	(3) General limitation.....	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense.....	17e(1)	
	(2) Other.....	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
(1) Passive.....	17f(1)		
(2) Listed categories (attach schedule).....	17f(2)		
(3) General limitation.....	17f(3)		
g Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued.....	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule).....	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type ▶ SEE LINE 25		See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount.....	18b	
	19 Tax-exempt interest income.....	19	Form 1040, line 8b
	20 Other tax-exempt income.....	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses.....	21	
	22 Distributions of money (cash and marketable securities).....	22	
	23 Distributions of property other than money.....	23	
	24 Recapture of low-income housing credit:		Form 8611, line 8
a From Section 42(j)(5) partnerships.....	24a		
b Other than on line 24a.....	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	<b>LINE 8 CHARITABLE CONTRIBUTIONS</b>		
	CASH CONTRIBUTIONS - 50% LIMITATION..... \$ 2,000.		
	TOTAL \$ 2,000.		
	<b>LINE 18A &amp; LINE 18B SECTION 59(E) ELECTION EXPENDITURES</b>		
	INTANGIBLE DRILLING COSTS..... \$ 114,482.		
	LEASE OPERATING EXPENSE..... 2,384.		
	TANGIBLE DRILLING COST..... 23,205.		
	TOTAL \$ 140,071.		



**Schedule K-1**  
**(Form 1065)**

**Partner's Share of Income, Credits, Deductions, Etc**

OMB No. 1545-0099

**2001**

Department of the Treasury  
Internal Revenue Service

For calendar year 2001 or tax year  
beginning , 2001, and ending , 20

**Partner's identifying number** ▶ 363-42-0523

**Partnership's identifying number** ▶ 73-1418240

Partner's Name, Address, and ZIP Code

HENRY J BROLICK  
5430 EAST 103RD PLACE  
TULSA, OK 74137

Partnership's Name, Address, and ZIP Code

WILLIAMS TECHNOLOGIES LLC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

**A** This partner is a ☐ general partner ☐ limited partner

☒ limited liability company member

**B** What type of entity is this partner? .. **INDIVIDUAL**

**C** Is this partner a ☒ domestic or a ☐ foreign partner?

**D** Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing .... 0 % 0 %

Loss sharing .... 0 % 0 %

Ownership of capital .. 0 % 0 %

**E** IRS Center where partnership filed return: **MEMPHIS**

**F** Partner's share of liabilities:

Nonrecourse..... \$

Qualified nonrecourse financing..... \$

Other..... \$

**G** Tax shelter registration number ▶

**H** Check here if this partnership is a publicly traded partnership as defined in Section 469(k)(2)..... ☐

**I** Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
0.				0.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities.....	1	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 4 of worksheet for Sch D, line 29
<b>Deductions</b>	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable ln of your return
	5 Guaranteed payments to partner.....	5	
	6 Net Section 1231 gain (loss) (other than due to casualty or theft).....	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7	Enter on applicable ln of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9	
	10 Deductions related to portfolio income (attach schedule).....	10	See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule).....	11	
	12a Low-income housing credit:		
	(1) From Section 42(j)(5) partnerships.....	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)	
<b>Credits</b>	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

**BAA** For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 2001

Form **4562**

(Rev March 2002)

Department of the Treasury  
Internal Revenue Service**Depreciation and Amortization**  
**(Including Information on Listed Property)**▶ See separate instructions.  
▶ Attach to your tax return.

OMB No. 1545-0172

**2001****67**

Name(s) Shown on Return

**WILLIAMS TECHNOLOGIES LLC**

Identifying Number

**73-1418240**

Business or Activity to Which This Form Relates

**FORM 1065****Election to Expense Certain Tangible Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses .....	1	\$24,000.
2	Total cost of Section 179 property placed in service (see instructions) .....	2	
3	Threshold cost of Section 179 property before reduction in limitation. ....	3	\$200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- .....	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions .....	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 .....	7	
8	Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7 .....	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8 .....	9	
10	Carryover of disallowed deduction from line 13 of your 2000 Form 4562 .....	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ..	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 .....	12	
13	Carryover of disallowed deduction to 2002. Add lines 9 and 10, less line 12 .....	13	

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Special Depreciation Allowance and Other Depreciation (Do not include listed property.)**

14	Special depreciation allowance for certain property (other than listed property) acquired after September 10, 2001 (see instructions) .....	14	
15	Property subject to Section 168(f)(1) election (see instructions) .....	15	
16	Other depreciation (including ACRS) (see instructions) .....	16	

**MACRS Depreciation (Do not include listed property.) (See instructions)****Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2001 .....	17	
18	If you are electing under Section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B — Assets Placed in Service During 2001 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property .....						
b 5-year property .....						
c 7-year property .....		7,603.	7	HY	200DB	1,086.
d 10-year property .....						
e 15-year property .....						
f 20-year property .....						
g 25-year property .....			25 yrs		S/L	
h Residential rental .....			27.5 yrs	MM	S/L	
property .....			27.5 yrs	MM	S/L	
i Nonresidential real .....			39 yrs	MM	S/L	
property .....				MM	S/L	

**Section C — Assets Placed in Service During 2001 Tax Year Using the Alternative Depreciation System**

20a Class life .....					S/L	
b 12-year .....			12 yrs		S/L	
c 40-year .....			40 yrs	MM	S/L	

**Summary (See instructions)**

21	Listed property. Enter amount from line 28. ....	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions. ....	22	1,086.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to Section 263A costs. ....	23	

2001

## FEDERAL STATEMENTS

PAGE 1

CLIENT 6

WILLIAMS TECHNOLOGIES LLC

73-1418240

4/24/02

11:08AM

STATEMENT 1  
FORM 1065, LINE 14  
TAXES AND LICENSES

FRANCHISE TAX.....	\$	217.
PAYROLL TAXES.....		13,710.
TOTAL	\$	<u>13,927.</u>

STATEMENT 2  
FORM 1065, LINE 20  
OTHER DEDUCTIONS

BANK CHARGES.....	\$	34.
CONSULTANTS.....		27,442.
DUES AND SUBSCRIPTIONS.....		2,896.
INFORMATION SERVICES.....		7,502.
INSURANCE.....		4,115.
LEGAL AND PROFESSIONAL.....		5,365.
MEALS AND ENTERTAINMENT.....		1,560.
MISCELLANEOUS.....		311.
OFFICE EXPENSE.....		3,426.
POSTAGE.....		848.
PRINTING.....		382.
TELEPHONE.....		11,866.
TRAVEL.....		7,691.
TOTAL	\$	<u>73,438.</u>

STATEMENT 3  
FORM 1065, SCHEDULE K, LINE 8  
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION.....	\$	2,000.
TOTAL	\$	<u>2,000.</u>

STATEMENT 4  
FORM 1065, SCHEDULE K, LINE 18A & LINE 18B  
SECTION 59(E) ELECTION EXPENDITURES

INTANGIBLE DRILLING COSTS.....	\$	114,482.
LEASE OPERATING EXPENSE.....		2,384.
TANGIBLE DRILLING COST.....		23,205.
TOTAL	\$	<u>140,071.</u>

STATEMENT 5  
FORM 1065, SCHEDULE L, LINE 8  
OTHER INVESTMENTS

	BEGINNING	ENDING
BETA OIL & GAS.....	\$ 0.	\$ 260,023.
HORIZON NRI - CHETOPA CREEK.....	512,500.	0.
NEWFIELD.....	0.	23,585.

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## FEDERAL STATEMENTS

PAGE 2

CLIENT 6

WILLIAMS TECHNOLOGIES LLC

73-1418240

4/24/02

11:08AM

STATEMENT 5 (CONTINUED)  
FORM 1065, SCHEDULE L, LINE 8  
OTHER INVESTMENTS

	<u>BEGINNING</u>	<u>ENDING</u>
SANGUINE.....	\$ 0.	\$ 7,016.
WEST WELCH.....	0.	150,890.
TOTAL	<u>\$ 512,500.</u>	<u>\$ 441,514.</u>

STATEMENT 6  
FORM 1065, SCHEDULE L, LINE 20  
OTHER LIABILITIES

	<u>BEGINNING</u>	<u>ENDING</u>
DUE TO EMC.....	\$ 829,719.	\$ 1,271,805.
TOTAL	<u>\$ 829,719.</u>	<u>\$ 1,271,805.</u>

Form **1065** Department of the Treasury Internal Revenue Service **U.S. Return of Partnership Income** **2002**

▶ See separate instructions.

IRS use only — Do not write or staple in this space.

For calendar year 2002, or tax year beginning , 2002, and ending , 20 OMB No. 1545-0099

<b>A</b> Principal business activity		<b>Use the IRS label. Otherwise, print or type.</b>	<b>WILLIAMS TECHNOLOGIES LLC</b> 126 EAST 56TH STREET, 33 FLOOR NEW YORK, NY 10022	<b>D</b> Employer identification number
<b>CONSULTING</b>				73-1418240
<b>B</b> Principal product or service				<b>E</b> Date business started
<b>PETROLEUM</b>			2/11/2000	<b>F</b> Total assets (see instrs)
<b>C</b> Business code number			\$ 0.	
541990				

**G** Check applicable boxes: (1) ☐ Initial return (2) ☒ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

**H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) \_\_\_\_\_

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. **2**

**Caution:** Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>INCOME</b>	<b>1a</b> Gross receipts or sales	<b>1a</b>	16,322.	
	<b>b</b> Less returns and allowances	<b>1b</b>		<b>1c</b> 16,322.
	<b>2</b> Cost of goods sold (Schedule A, line 8)	<b>2</b>		
	<b>3</b> Gross profit. Subtract line 2 from line 1c	<b>3</b>		16,322.
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)	<b>4</b>		
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040))	<b>5</b>		
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18	<b>6</b>		2,017.
	<b>7</b> Other income (loss) (attach schedule)	<b>7</b>		
<b>8</b> Total income (loss). Combine lines 3 through 7	<b>8</b>		18,339.	
<b>SEE INSTRUCTIONS FOR DEDUCTIONS</b>	<b>9</b> Salaries and wages (other than to partners) (less employment credits)	<b>9</b>		105,435.
	<b>10</b> Guaranteed payments to partners	<b>10</b>		
	<b>11</b> Repairs and maintenance	<b>11</b>		
	<b>12</b> Bad debts	<b>12</b>		
	<b>13</b> Rent	<b>13</b>		23,431.
	<b>14</b> Taxes and licenses	<b>14</b>		6,568.
	<b>15</b> Interest	<b>15</b>		
	<b>16a</b> Depreciation (if required, attach Form 4562)	<b>16a</b>	931.	
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return	<b>16b</b>		<b>16c</b> 931.
	<b>17</b> Depletion (Do not deduct oil and gas depletion.)	<b>17</b>		
	<b>18</b> Retirement plans, etc.	<b>18</b>		
	<b>19</b> Employee benefit programs	<b>19</b>		22,633.
	<b>20</b> Other deductions (attach schedule)	<b>20</b>	SEE STATEMENT 1	577,505.
<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20	<b>21</b>		736,503.	
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8	<b>22</b>		-718,164.	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member

Date

May the IRS discuss this return with the preparer shown below (see instrs)? ☒ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed. ☒ ☐

Preparer's SSN or PTIN

P00319104

Firm's name (or yours if self-employed), address, and ZIP code

CHARLES F. CURCIO, CPA  
PO BOX 549  
BEL AIR, MD 21014

EIN ▶ 23-2469983

Phone no. (410) 893-2768

**Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases less cost of items withdrawn for personal use.....	2	
3	Cost of labor.....	3	
4	Additional section 263A costs (attach schedule).....	4	
5	Other costs (attach schedule).....	5	
6	<b>Total.</b> Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2.....	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3  
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
 (iii) ☐ Other (specify method used and attach explanation).....

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c)..... ☐ Yes ☐ Noc Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)..... ☐ Yes ☐ Nod Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership?..... ☐ Yes ☐ Noe Was there any change in determining quantities, cost, or valuations between opening and closing inventory?..... ☐ Yes ☐ No

If 'Yes,' attach explanation.

**Other Information**

1	What type of entity is filing this return? Check the applicable box:	Yes	No
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other.....		
2	Are any partners in this partnership also partnerships?.....		X
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment.....		X
4	Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If 'Yes,' see <b>Designation of Tax Matters Partner</b> below.....		X
5	Does this partnership meet <b>all three</b> of the following requirements?		
a	The partnership's total receipts for the tax year were less than \$250,000;		
b	The partnership's total assets at the end of the tax year were less than \$600,000; and		
c	Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
	If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1.....		X
6	Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions.....		X
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?.....		X
8	Has this partnership filed, or is it required to file, <b>Form 8264</b> , Application for Registration of a Tax Shelter?.....		X
9	At any time during calendar year 2002, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country.....		X
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions.....		X
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described in the instructions under <b>Elections Made By the Partnership</b> .....		X
12	Enter the number of <b>Forms 8865</b> , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return.....	0	

**Designation of Tax Matters Partner** (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ► **ENERGY MERCHANT HOLDING INC**  
 Address of designated TMP ► **126 EAST 56TH STREET, 33 FLOOR**  
**NEW YORK, NY 10022**

Identifying number of TMP ► **13-4104912**

**Partners' Shares of Income, Credits, Deductions, etc**

	(a) Distributive share items	(b) Total amount
<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities (page 1, line 22) .....	1 -718,164.
	2 Net income (loss) from rental real estate activities (attach Form 8825) .....	2
	3a Gross income from other rental activities .....	3a
	b Expenses from other rental activities (attach sch) .....	3b
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a .....	3c
	4 Portfolio income (loss): a Interest income .....	4a
	b Ordinary dividends .....	4b
	c Royalty income .....	4c
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065)) .....	4d
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065)) .....	4e (1)
	(2) 28% rate gain (loss) .....	(3) Qualified 5-year gain .....
f Other portfolio income (loss) (attach schedule) .....	4f	
5 Guaranteed payments to partners .....	5	
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797) .....	6 4,297.	
7 Other income (loss) .....	7	
<b>Deductions</b>	8 Charitable contributions (attach schedule) .....	8
	9 Section 179 expense deduction (attach Form 4562) .....	9
	10 Deductions related to portfolio income (itemize) .....	10
	11 Other deductions .....	11
<b>Credits</b>	12a Low-income housing credit:	
	(1) From partnerships to which section 42(j)(5) applies .....	12a (1)
	(2) Other than on line 12a(1) .....	12a (2)
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468) .....	12b
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities .....	12c
d Credits related to other rental activities .....	12d	
13 Other credits .....	13	
<b>Investment Interest</b>	14a Interest expense on investment debts .....	14a
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above .....	14b (1)
	(2) Investment expenses included on line 10 above .....	14b (2)
<b>Self-Employment</b>	15a Net earnings (loss) from self-employment .....	15a
	b Gross farming or fishing income .....	15b
	c Gross nonfarm income .....	15c
<b>Adjustments and Tax Preference Items</b>	16a Depreciation adjustment on property placed in service after 1986 .....	16a 204.
	b Adjusted gain or loss .....	16b -476.
	c Depletion (other than oil and gas) .....	16c
	d (1) Gross income from oil, gas, and geothermal properties .....	16d (1)
	(2) Deductions allocable to oil, gas, and geothermal properties .....	16d (2)
	e Other adjmnts & tax pref items .....	16e
<b>Foreign Taxes</b>	17a Name of foreign country or U.S. possession .....	
	b Gross income from all sources .....	17b
	c Gross income sourced at partner level .....	17c
	d Foreign gross income sourced at partnership level:	
	(1) Passive .....	(2) Listed categories (attach sch) .....
	(3) General limitation .....	17d (3)
	e Deductions allocated and apportioned at partner level:	
	(1) Interest expense .....	(2) Other .....
	(3) General limitation .....	17e (2)
	f Deductions allocated and apportioned at partnership level to foreign source income:	
(1) Passive .....	(2) Listed categories (attach sch) .....	
(3) General limitation .....	17f (3)	
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued .....	17g	
h Reduction in taxes available for credit (attach schedule) .....	17h	
<b>Other</b>	18 Section 59(e)(2) expenditures: a Type ... b Amount ...	18b
	19 Tax-exempt interest income .....	19
	20 Other tax-exempt income .....	20
	21 Nondeductible expenses .....	21 133.
	22 Distributions of money (cash and marketable securities) .....	22
	23 Distributions of property other than money .....	23
	24 Other items and amounts required to be reported separately to partners (attach schedule) .....	

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b. ....						1	-713,867.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	-713,867.						

Note: schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered 'Yes.'

Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			200.		
2a Trade notes and accounts receivable					
b Less allowance for bad debts					
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets (attach schedule)					
7 Mortgage and real estate loans					
8 Other investments (attach schedule) .. SEE. ST. 2.			441,514.		
9a Buildings and other depreciable assets	7,603.				
b Less accumulated depreciation	1,143.		6,460.		
10a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)					
12a Intangible assets (amortizable only)					
b Less accumulated amortization					
13 Other assets (attach schedule)					
14 Total assets			448,174.		0.
Liabilities and Capital					
15 Accounts payable			5,091.		
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach sch)					
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more					
20 Other liabilities (attach schedule) .... SEE. ST. 3.			1,271,805.		1,542,722.
21 Partners' capital accounts			-828,722.		-1,542,722.
22 Total liabilities and capital			448,174.		0.

**Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

1 Net income (loss) per books	-714,000.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest .. \$	
3 Guaranteed prmts (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation..... \$	
a Depreciation..... \$		8 Add lines 6 and 7	
b Travel and entertainment..... \$ 133.		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	-713,867.
5 Add lines 1 through 4	-713,867.		

**Analysis of Partners' Capital Accounts**

1 Balance at beginning of year	-828,722.	6 Distributions: a Cash	
2 Capital contributed: a Cash		b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	-714,000.	8 Add lines 6 and 7	
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5	-1,542,722.
5 Add lines 1 through 4	-1,542,722.		



Schedule K-1  
(Form 1065)Department of the Treasury  
Internal Revenue Service

## Partner's Share of Income, Credits, Deductions, etc

For calendar year 2002 or tax year

beginning

, 2002, and ending

, 20

OMB No. 1545-0099

2002

Partner's identifying number ▶ 13-4104912

Partner's name, address, and ZIP code

ENERGY MERCHANT HOLDING INC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

Partnership's identifying number ▶ 73-1418240

Partnership's name, address, and ZIP code

WILLIAMS TECHNOLOGIES LLC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? .. ▶ CORPORATION

C Is this partner a ☒ domestic or a ☐ foreign partner?D Enter partner's % of: (i) Before change or termination (ii) End of year  
Profit sharing ..... 0 % ..... 100 %  
Loss sharing ..... 0 % ..... 100 %  
Ownership of capital .. 0 % ..... 100 %

E IRS Center where partnership filed return: OGDEN, UT

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$ .....  
Qualified nonrecourse financing ..... \$ .....  
Other ..... \$ .....

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership  
as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☒ Final K-1 (2) ☐ Amended K-1

## J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-828,722.		-714,000.		-1,542,722.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities.....	1 -718,164.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 5 of worksheet for Sch D, line 29
Deductions	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable ln of your return
	5 Guaranteed payments to partner.....	5	See Partner's Instructions for Schedule K-1 (Form 1065).
	6 Net section 1231 gain (loss) (other than due to casualty or theft).....	6 4,297.	
	7 Other income (loss) (attach schedule).....	7	Enter on applicable ln of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9	See Partner's Instructions for Schedule K-1 (Form 1065).
	10 Deductions related to portfolio income (attach schedule).....	10	
	11 Other deductions (attach schedule).....	11	
Credits	12a Low-income housing credit:		Form 8586, line 5
	(1) From section 42(j)(5) partnerships.....	12a(1)	
	(2) Other than on line 12a(1).....	12a(2)	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1)	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments & tax preference items (attach sch.)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive	17f(1)	
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type		See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	
	24 Recapture of low-income housing credit:		Form 8611, line 8
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

**Schedule K-1**  
**(Form 1065)**

**Partner's Share of Income, Credits, Deductions, etc**

OMB No. 1545-0099

**2002**

Department of the Treasury  
Internal Revenue Service

For calendar year 2002 or tax year

beginning

, 2002, and ending

, 20

**Partner's identifying number** ▶ 363-42-0523

**Partnership's identifying number** ▶ 73-1418240

Partner's name, address, and ZIP code

Partnership's name, address, and ZIP code

HENRY J BROLICK  
5430 EAST 103RD PLACE  
TULSA, OK 74137

WILLIAMS TECHNOLOGIES LLC  
126 EAST 56TH STREET, 33 FLOOR  
NEW YORK, NY 10022

**A** This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

**B** What type of entity is this partner? ▶ INDIVIDUAL

**C** Is this partner a ☒ domestic or a ☐ foreign partner?

**D** Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	0 %	0 %
Loss sharing	0 %	0 %
Ownership of capital	0 %	0 %

**E** IRS Center where partnership filed return: OGDEN, UT

**F** Partner's share of liabilities (see instructions):

Nonrecourse..... \$  
Qualified nonrecourse financing..... \$  
Other..... \$

**G** Tax shelter registration number ▶

**H** Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

**I** Check applicable boxes: (1) ☒ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
0.				0.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest	4a	Schedule B, Part I, line 1
	b Ordinary dividends	4b	Schedule B, Part II, line 5
	c Royalties	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss)	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss)	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain	4e(3)	Line 5 of worksheet for Sch D, line 29
	f Other portfolio income (loss) (attach schedule)	4f	Enter on applicable ln of your return
	5 Guaranteed payments to partner	5	
Deductions	6 Net section 1231 gain (loss) (other than due to casualty or theft)	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule)	7	Enter on applicable ln of your return
	8 Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction	9	
	10 Deductions related to portfolio income (attach schedule)	10	See Partner's Instructions for Schedule K-1 (Form 1065).
Credits	11 Other deductions (attach schedule)	11	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

Form 4797

Department of the Treasury  
Internal Revenue Service (99)**Sales of Business Property**  
(Also Involuntary Conversions and Recapture Amounts  
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

OMB No. 1545-0184

**2002**

27

Name(s) shown on return

WILLIAMS TECHNOLOGIES LLC

Identifying number

73-1418240

- 1 Enter the gross proceeds from sales or exchanges reported to you for 2002 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions).....

1

**Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft – Most Property Held More Than 1 Year (See instructions.)**

2	(a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
3	Gain, if any, from Form 4684, line 39 .....						3
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37 .....						4
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824 .....						5
6	Gain, if any, from line 32, from other than casualty or theft .....						6 4,297.
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows .....						7 4,297.
Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6, or Form 1120S, Schedule K, line 5. Skip lines 8, 9, 11, and 12 below.							
All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, 11, and 12 below.							
8	Nonrecaptured net section 1231 losses from prior years (see instructions) .....						8
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on Schedule D (see instructions) .....						9

**Ordinary Gains and Losses**

- 10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

11	Loss, if any, from line 7 .....						11
12	Gain, if any, from line 7 or amount from line 8, if applicable .....						12
13	Gain, if any, from line 31 .....						13 2,017.
14	Net gain or (loss) from Form 4684, lines 31 and 38a .....						14
15	Ordinary gain from installment sales from Form 6252, line 25 or 36 .....						15
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824 .....						16
17	Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions) .....						17
18	Combine lines 10 through 17. Enter the gain or (loss) here and on the appropriate line as follows .....						18 2,017.
a For all except individual returns. Enter the gain or (loss) from line 18 on the return being filed.							
b For individual returns:							
(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from Form 4797, line 18b(1). See instructions .....							18b(1)
(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14 .....							18b(2)

BAA For Paperwork Reduction Act Notice, see instructions.

Form 4797 (2002)

**Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
<b>A OFFICE EQUIPMENT</b>	4/01/01	6/01/02
<b>B</b>		
<b>C</b>		
<b>D</b>		

These columns relate to the properties on lines 19A through 19D

		Property A	Property B	Property C	Property D
<b>20</b> Gross sales price (Note: See line 1 before completing.)	<b>20</b>	11,900.			
<b>21</b> Cost or other basis plus expense of sale.	<b>21</b>	7,603.			
<b>22</b> Depreciation (or depletion) allowed or allowable.	<b>22</b>	2,017.			
<b>23</b> Adjusted basis. Subtract line 22 from line 21.	<b>23</b>	5,586.			
<b>24</b> Total gain. Subtract line 23 from line 20.	<b>24</b>	6,314.			
<b>25 If section 1245 property:</b>					
<b>a</b> Depreciation allowed or allowable from line 22.	<b>25a</b>	2,017.			
<b>b</b> Enter the smaller of line 24 or 25a.	<b>25b</b>	2,017.			
<b>26 If section 1250 property:</b> If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to Section 291.					
<b>a</b> Additional depreciation after 1975 (see instrs).	<b>26a</b>				
<b>b</b> Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions).	<b>26b</b>				
<b>c</b> Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e.	<b>26c</b>				
<b>d</b> Additional depreciation after 1969 & before 1976.	<b>26d</b>				
<b>e</b> Enter the smaller of line 26c or 26d.	<b>26e</b>				
<b>f</b> Section 291 amount (corporations only).	<b>26f</b>				
<b>g</b> Add lines 26b, 26e, and 26f.	<b>26g</b>				
<b>27 If section 1252 property:</b> Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
<b>a</b> Soil, water, and land clearing expenses.	<b>27a</b>				
<b>b</b> Line 27a multiplied by applicable percentage (see instructions).	<b>27b</b>				
<b>c</b> Enter the smaller of line 24 or 27b.	<b>27c</b>				
<b>28 If section 1254 property:</b>					
<b>a</b> Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions).	<b>28a</b>				
<b>b</b> Enter the smaller of line 24 or 28a.	<b>28b</b>				
<b>29 If section 1255 property:</b>					
<b>a</b> Applicable percentage of payments excluded from income under Section 126 (see instructions).	<b>29a</b>				
<b>b</b> Enter the smaller of line 24 or 29a (see instrs).	<b>29b</b>				

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

<b>30</b> Total gains for all properties. Add property columns A through D, line 24.	<b>30</b>	6,314.
<b>31</b> Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13.	<b>31</b>	2,017.
<b>32</b> Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6.	<b>32</b>	4,297.

**Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less**  
(See instructions.)

		(a) Section 179	(b) Section 280F(b)(2)
<b>33</b> Section 179 expense deduction or depreciation allowable in prior years.	<b>33</b>		
<b>34</b> Recomputed depreciation. See instructions.	<b>34</b>		
<b>35</b> Recapture amount. Subtract line 34 from line 33. See instructions for where to report.	<b>35</b>		

2002

## FEDERAL STATEMENTS

PAGE 1

CLIENT 6

WILLIAMS TECHNOLOGIES LLC

73-1418240

1/30/03

12:05PM

STATEMENT 1  
FORM 1065, LINE 20  
OTHER DEDUCTIONS

BANK CHARGES.....	\$	192.
INSURANCE.....		1,264.
LEGAL AND PROFESSIONAL.....		714.
MEALS AND ENTERTAINMENT.....		133.
MISCELLANEOUS.....		435.
OFFICE EXPENSE.....		614.
OIL & GAS LEASES.....		570,286.
TELEPHONE.....		2,334.
TRAVEL.....		1,533.
TOTAL	\$	<u>577,505.</u>

STATEMENT 2  
FORM 1065, SCHEDULE L, LINE 8  
OTHER INVESTMENTS

	BEGINNING	ENDING
BETA OIL & GAS.....	\$ 260,023.	\$ 0.
NEWFIELD.....	23,585.	0.
SANGUINE.....	7,016.	0.
WEST WELCH.....	150,890.	0.
TOTAL	\$ <u>441,514.</u>	\$ <u>0.</u>

STATEMENT 3  
FORM 1065, SCHEDULE L, LINE 20  
OTHER LIABILITIES

	BEGINNING	ENDING
DUE TO EMC.....	\$ 1,271,805.	\$ 1,542,722.
TOTAL	\$ <u>1,271,805.</u>	\$ <u>1,542,722.</u>



Form **1120** U.S. Corporation Income Tax Return **2002**  
 Department of the Treasury Internal Revenue Service  
 Instructions are separate. See instructions for Paperwork Reduction Act Notice.

IRS use only — Do not write or staple in this space.

For calendar year 2002 or tax year beginning

, 2002, ending

OMB No. 1545-0123

**A Check if a:**

- 1 Consolidated return (attach Form 851) ☐  
 2 Personal holding company (attach Schedule PH) ☐  
 3 Personal service corp (as defined in Regs section 1.441-3(c) — see instructions) ☐

Use IRS label. Otherwise, print or type.

ENERGY MERCHANT MANAGEMENT CO., LLC  
 126 EAST 56TH ST., 33 FLR  
 NEW YORK, NY 10022

**B Employer identification number**

13-4146881

**C Date incorporated**

12/08/2000

**D Total assets (see instructions)**

**E Check applicable boxes:**

(1) Initial return (2) Final return (3) Name change (4) Address change

\$ 975,885.

<b>INCOME</b>	1 a Gross receipts or sales	b Less returns & allowances	c Balance	1c
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Dividends (Schedule C, line 19)			4
	5 Interest			5 2.
	6 Gross rents			6
	7 Gross royalties			7
	8 Capital gain net income (attach Schedule D (Form 1120))			8
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9
	10 Other income (see instructions — attach schedule)	SEE STATEMENT 1		10 732,366.
	11 <b>Total income.</b> Add lines 3 through 10			11 732,368.
<b>DEDUCTIONS</b>	12 Compensation of officers (Schedule E, line 4)			12 350,000.
	13 Salaries and wages (less employment credits)			13 69,000.
	14 Repairs and maintenance			14
	15 Bad debts			15
	16 Rents			16 42,000.
	17 Taxes and licenses			17 19,983.
	18 Interest			18
	19 Charitable contributions (see instructions for 10% limitation)			19
	20 Depreciation (attach Form 4562)	20		
	21 Less depreciation claimed on Schedule A and elsewhere on return	21 a		21 b
	22 Depletion			22
	23 Advertising			23
	24 Pension, profit-sharing, etc. plans			24
	25 Employee benefit programs			25 25,311.
	26 Other deductions (attach schedule)	SEE STATEMENT 2		26 166,285.
	27 <b>Total deductions.</b> Add lines 12 through 26			27 672,579.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 59,789.
	29 Less: a Net operating loss (NOL) deduction (see instructions)	SEE ST. 3	29 a 59,789.	
b Special deductions (Schedule C, line 20)	29 b		29 c 59,789.	
<b>TAX AND PAYMENTS</b>	30 <b>Taxable income.</b> Subtract line 29c from line 28			30 0.
	31 <b>Total tax</b> (Schedule J, line 11)			31 0.
	32 <b>Payments:</b> a 2001 overpayment credited to 2002	32 a		
	b 2002 estimated tax payments	32 b		
	c Less 2002 refund applied for on Form 4466	32 c		
	d Bal	32 d	0.	
	e Tax deposited with Form 7004	32 e		
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32 f		
	g Credit for federal tax on fuels (attach Form 4136). See instructions	32 g		32 h 0.
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached			33
34 <b>Tax due.</b> If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34 0.	
35 <b>Overpayment.</b> If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35	
36 Enter amount of line 35 you want: Credited to 2003 estimated tax		Refunded	36	

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below? (see inst)  
☒ Yes ☐ No

**Paid Preparer's Use Only**

Preparer's signature  
 Firm's Name (or yours if self-employed), address, and ZIP Code

CHARLES F. CURCIO, CPA  
 PO BOX 549  
 BEL AIR, MD 21014

Date

Check if self-employed ☒

Preparer's SSN or PTIN

P00319104

EIN - 23-2469983

Phone No. (410) 893-2768



**Schedule A** **Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases.....	2	
3	Cost of labor.....	3	
4	Additional Section 263A costs (attach schedule).....	4	
5	Other costs (attach schedule).....	5	
6	<b>Total.</b> Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1.....	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3
- (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
- (iii) ☐ Other (specify method used and attach explanation.) . . . . . ▶

**b** Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c).

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970).

**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO: \_\_\_\_\_

**e** If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation .....

**Dividends and Special Deductions**  
(see instructions)

Dividends and Special Deductions (see instructions)	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock).....		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock).....		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 246A).....		SEE INSTR.	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities.....		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities.....		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction.....		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction.....		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b)).....		100	
9 Total. Add lines 1 through 8. See instructions for limitation.....			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958.....		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (sec 245(c)(1)).....		100	
12 Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3)).....		100	
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11.....			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471).....			
15 Foreign dividend gross-up (section 78).....			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d)).....			
17 Other dividends.....			
18 Deduction for dividends paid on certain preferred stock of public utilities.....			
19 Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1.....			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1.....			

**Compensation of Officers** (see instructions for line 12, page 1)

**Note:** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	MICHAEL CORNISH	101-58-5760	100 %	0.00 %	0.00 %	350,000.
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers.....					350,000.
3	Compensation of officers claimed on Schedule A and elsewhere on return .....					
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1.....					350,000.

**Schedule E Tax Computation** (see instructions)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>			
<b>Important:</b> Members of a controlled group, see instructions.			
2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):			
(1) \$	(2) \$	(3) \$	
b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750)		\$	
(2) Additional 3% tax (not more than \$100,000)		\$	
3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see instructions) <input type="checkbox"/>		3	0.
4 Alternative minimum tax (attach Form 4626)		4	
5 Add lines 3 and 4		5	0.
6a Foreign tax credit (attach Form 1118)		6a	
b Possessions tax credit (attach Form 5735)		6b	
c Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (attach Form 8834)		6c	
d General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____		6d	
e Credit for prior year minimum tax (attach Form 8827)		6e	
f Qualified zone academy bond credit (attach Form 8860)		6f	
7 Total credits. Add lines 6a through 6f		7	
8 Subtract line 7 from line 5		8	
9 Personal holding company tax (attach Schedule PH (Form 1120))		9	
10 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		10	
11 Total tax. Add lines 8 through 10. Enter here and on line 31, page 1		11	0.

**Other Information** (see instructions)

1 Check method of accounting:	Yes	No	7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?	Yes	No
a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual			If 'Yes,' enter: (a) Percentage owned _____ and (b) Owner's country _____		
c <input type="checkbox"/> Other (specify) _____			c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____		
2 See the instructions and enter the:			8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
a Business activity code no. <u>541990</u>			If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
b Business activity <u>MANAGEMENT</u>			9 Enter the amount of tax-exempt interest received or accrued during the tax year. \$ <u>NONE</u>		
c Product or service <u>ADVISOR</u>			10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) <u>1</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>			11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>		
If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? <input checked="" type="checkbox"/>			12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ <u>190,821</u>		
If 'Yes,' enter name and EIN of the parent corporation _____			13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/>		
5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>			If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ _____		
If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)					
Enter % owned <u>100%</u>					
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/>					
If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions.					
If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.					

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Note: The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered 'Yes.'

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash .....				497.
2a	Trade notes and accounts receivable .....				
b	Less allowance for bad debts .....				
3	Inventories .....				
4	U.S. government obligations .....				
5	Tax-exempt securities (see instructions) .....				
6	Other current assets (attach schedule) SEE ST. 5 .....		243,022.		975,388.
7	Loans to shareholders .....				
8	Mortgage and real estate loans .....				
9	Other investments (attach schedule) .....				
10a	Buildings and other depreciable assets .....				
b	Less accumulated depreciation .....				
11a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....				
13a	Intangible assets (amortizable only) .....				
b	Less accumulated amortization .....				
14	Other assets (attach schedule) .....				
15	Total assets .....		243,022.		975,885.
Liabilities and Shareholders' Equity					
16	Accounts payable .....				
17	Mortgages, notes, bonds payable in less than 1 year .....				
18	Other current liabilities (attach sch.) SEE ST. 6 .....		433,843.		1,127,089.
19	Loans from shareholders .....				
20	Mortgages, notes, bonds payable in 1 year or more .....				
21	Other liabilities (attach schedule) .....				
22	Capital stock: a Preferred stock .....				
	b Common stock .....				
23	Additional paid-in capital .....				
24	Retained earnings — Approp (att sch) .....				
25	Retained earnings — Unappropriated .....		-190,821.		-151,204.
26	Adjmnt to shareholders' equity (att sch) .....				
27	Less cost of treasury stock .....				
28	Total liabilities and shareholders' equity .....		243,022.		975,885.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)

1	Net income (loss) per books .....	39,617.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books .....			Tax-exempt interest \$ .....	
3	Excess of capital losses over capital gains .....				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation .....	\$		a Depreciation .....	\$
b	Charitable contributions .....	\$		b Charitable contribns .....	\$
c	Travel & entertainment .....	\$ 20,172.			
		20,172.	9	Add lines 7 and 8 .....	0.
6	Add lines 1 through 5 .....	59,789.	10	Income (line 28, page 1) — line 6 less line 9 .....	59,789.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year .....	-190,821.	5	Distributions .....	a Cash .....
2	Net income (loss) per books .....	39,617.		b Stock .....	c Property .....
3	Other increases (itemize):		6	Other decreases (itemize):	
4	Add lines 1, 2, and 3 .....	-151,204.	7	Add lines 5 and 6 .....	
			8	Balance at end of year (line 4 less line 7) .....	-151,204.

2002

## FEDERAL STATEMENTS

PAGE 1

ENERGY MERCHANT MANAGEMENT CO., LLC

13-4146881

STATEMENT 1  
FORM 1120, LINE 10  
OTHER INCOME

REIMBURSED EXPENSES.....	\$	732,366.
TOTAL	\$	<u>732,366.</u>

STATEMENT 2  
FORM 1120, LINE 26  
OTHER DEDUCTIONS

AUTO AND TRUCK.....	\$	11,714.
BANK CHARGES.....		5.
LEGAL AND PROFESSIONAL.....		77,601.
MEALS AND ENTERTAINMENT.....		20,173.
OFFICE EXPENSE.....		12,475.
OUTSIDE SERVICES.....		31,205.
TELEPHONE.....		13,112.
TOTAL	\$	<u>166,285.</u>

STATEMENT 3  
FORM 1120, LINE 29A  
NET OPERATING LOSS DEDUCTION

CARRYOVER GENERATED FROM YEAR END 12/31/01	\$	190,821.
AVAILABLE FOR CARRYOVER TO 2002.....		190,821.
NET OPERATING LOSSES AVAILABLE IN 2002.....	\$	<u>190,821.</u>
TAXABLE INCOME.....		59,789.
TOTAL NET OPERATING LOSS DEDUCTION (LIMITED TO TAXABLE INCOME).....		<u>59,789.</u>

STATEMENT 4  
FORM 1120, SCHEDULE K, LINE 5  
50% OR MORE OWNERS

NAME	:	EMC CAPITAL CORP
ID NUMBER	:	51-0383350
PERCENTAGE OWNED	:	100.00%

2002

## FEDERAL STATEMENTS

PAGE 2

ENERGY MERCHANT MANAGEMENT CO., LLC

13-4146881

STATEMENT 5  
FORM 1120, SCHEDULE L, LINE 6  
OTHER CURRENT ASSETS

	<u>BEGINNING</u>	<u>ENDING</u>
DUE FROM EMAC.....	\$ 243,022.	\$ 975,388.
TOTAL	<u>\$ 243,022.</u>	<u>\$ 975,388.</u>

STATEMENT 6  
FORM 1120, SCHEDULE L, LINE 18  
OTHER CURRENT LIABILITIES

	<u>BEGINNING</u>	<u>ENDING</u>
DUE TO EMC.....	\$ 433,843.	\$ 1,127,089.
TOTAL	<u>\$ 433,843.</u>	<u>\$ 1,127,089.</u>

Form **1120****U.S. Corporation Income Tax Return**

OMB No. 1545-0123

**2003**Department of the Treasury  
Internal Revenue Service

For calendar year 2003 or tax year beginning , ending

▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

<b>A Check if a:</b> 1 Consolidated return (attach Form 851) 2 Personal holding co. (attach Sch. PH) 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c)- see instructions)	<b>Use IRS label. Otherwise, print or type.</b>	<b>Name</b> Number, street, and room or suite no. City or town, state, and ZIP code <b>ENERGY MERCHANT MANAGEMENT CO., LLC</b>	<b>B Employer identification number</b> <b>13-4146881</b>
		<b>126 EAST 56TH ST, 33 FLOOR</b>	<b>C Date incorporated</b> <b>12/08/00</b>
		<b>NEW YORK NY 10022</b>	<b>D Total assets (see page 8 of instructions)</b> <b>465</b>

**E Check applicable boxes:** (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change \$ **465**

<b>Income</b>	<b>1a</b> Gross rcpt./sales	<b>231,294</b>	<b>b</b> Less returns & allowances		<b>c Bal</b>	<b>1c</b>	<b>231,294</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8)					<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c					<b>3</b>	<b>231,294</b>
	<b>4</b> Dividends (Schedule C, line 19)					<b>4</b>	
	<b>5</b> Interest					<b>5</b>	
	<b>6</b> Gross rents					<b>6</b>	
	<b>7</b> Gross royalties					<b>7</b>	
	<b>8</b> Capital gain net income (attach Sch. D (Form 1120))					<b>8</b>	
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					<b>9</b>	
	<b>10</b> Other income (see page 9 of Instructions-attach schedule)					<b>10</b>	
	<b>11</b> Total income. Add lines 3 through 10					<b>11</b>	<b>231,294</b>
<b>Deductions</b>  (See Instructions for limitations on deductions.)	<b>12</b> Compensation of officers (Schedule E, line 4)					<b>12</b>	<b>89,520</b>
	<b>13</b> Salaries and wages (less employment credits)					<b>13</b>	<b>25,577</b>
	<b>14</b> Repairs and maintenance					<b>14</b>	
	<b>15</b> Bad debts					<b>15</b>	
	<b>16</b> Rents					<b>16</b>	<b>14,000</b>
	<b>17</b> Taxes and licenses					<b>17</b>	<b>11,299</b>
	<b>18</b> Interest					<b>18</b>	
	<b>19</b> Charitable contributions (see page 11 of instructions for 10% limitation)					<b>19</b>	
	<b>20</b> Depreciation (attach Form 4562)	<b>20</b>					
	<b>21</b> Less depreciation claimed on Schedule A and elsewhere on return	<b>21a</b>				<b>21b</b>	
	<b>22</b> Depletion					<b>22</b>	
	<b>23</b> Advertising					<b>23</b>	
	<b>24</b> Pension, profit-sharing, etc., plans					<b>24</b>	
	<b>25</b> Employee benefit programs					<b>25</b>	<b>4,400</b>
<b>26</b> Other deductions (attach schedule)			<b>SEE STMT 1</b>		<b>26</b>	<b>74,454</b>	
<b>27</b> Total deductions. Add lines 12 through 26					<b>27</b>	<b>219,250</b>	
<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					<b>28</b>	<b>12,044</b>	
<b>29</b> Less: <b>a</b> Net operating loss (NOL) deduction (see page 13 of instructions)	<b>29a</b>		<b>12,044</b>				
<b>b</b> Special deductions (Schedule C, line 20)	<b>29b</b>				<b>29c</b>	<b>12,044</b>	
<b>30</b> Taxable income. Subtract line 29c from line 28					<b>30</b>	<b>0</b>	
<b>31</b> Total tax (Schedule J, line 11)					<b>31</b>	<b>0</b>	
<b>Tax and Payments</b>	<b>32</b> Payments:						
	<b>a</b> 2002 overpayment credited to 2003	<b>32a</b>					
	<b>b</b> 2003 estimated tax payments	<b>32b</b>					
	<b>c</b> Less 2003 refund applied for on Form 4466	<b>32c</b>					
	<b>d</b> Tax deposited with Form 7004	<b>32d</b>					
	<b>e</b> Credit for tax paid on undistributed capital gains (attach Form 2439)	<b>32e</b>					
	<b>f</b> Credit for Federal tax on fuels (attach Form 4136). See instructions	<b>32f</b>					
	<b>g</b> Credit for Federal tax on fuels (attach Form 4136). See instructions	<b>32g</b>				<b>32h</b>	
	<b>33</b> Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					<b>33</b>	
	<b>34</b> Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					<b>34</b>	
<b>35</b> Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					<b>35</b>		
<b>36</b> Enter amt. of line 35 you want: <b>Credited to 2004 estimated tax</b> <b>Refunded</b>					<b>36</b>		

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see instr.)? ☒ Yes ☐ No

<b>Prepared by</b>	Signature of officer	<b>CLIENT'S COPY</b>	Date		Title	
	Preparer's signature		Date	<b>1/25/06</b>	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	<b>JEFFERSON, URIAN, DOANE &amp; STERNER, P.A.</b>	<b>PO BOX 477</b>	<b>OCEAN VIEW, DE</b>	<b>19970-0477</b>	EIN <b>51-0212284</b>
<b>Preparer's Use Only</b>					Phone no.	<b>302-539-5543</b>

**Schedule A Cost of Goods Sold** (see page 14 of instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.) ▶ ☐

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

**Schedule C Dividends and Special Deductions** (see instructions beginning on page 15)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	see instr.	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	<b>Total.</b> Add lines 1 through 8. See page 16 of instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	<b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1 ▶		
20	<b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶		

**Schedule E Compensation of Officers** (see instructions for line 12, page 1, on page 10 of instructions)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2	<b>Total compensation of officers</b>				
3	<b>Compensation of officers claimed on Schedule A and elsewhere on return</b>				
4	<b>Subtract line 3 from line 2. Enter the result here and on line 12, page 1</b>				

**Schedule J Tax Computation** (see page 17 of instructions)

<b>1</b>	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>		
<b>Important:</b> Members of a controlled group, see instructions on page 17.			
<b>2a</b>	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1)	\$	(2)	\$
(3)	\$		
<b>b</b>	Enter the corporation's share of:	(1) Additional 5% tax (not more than \$11,750)	\$
		(2) Additional 3% tax (not more than \$100,000)	\$
<b>3</b>	Income tax. Check if a qualified personal service corp. under section 448(d)(2) (see page 17) <input type="checkbox"/>		<b>3</b> 0
<b>4</b>	Alternative minimum tax (attach Form 4626)		<b>4</b>
<b>5</b>	Add lines 3 and 4		<b>5</b> 0
<b>6a</b>	Foreign tax credit (attach Form 1118)	<b>6a</b>	
<b>b</b>	Possessions tax credit (attach Form 5735)	<b>6b</b>	
<b>c</b>	Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (att. Form 8834)	<b>6c</b>	
<b>d</b>	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) <input type="checkbox"/>	<b>6d</b>	
<b>e</b>	Credit for prior year minimum tax (attach Form 8827)	<b>6e</b>	
<b>f</b>	Qualified zone academy bond credit (attach Form 8860)	<b>6f</b>	
<b>7</b>	<b>Total credits.</b> Add lines 6a through 6f		<b>7</b>
<b>8</b>	Subtract line 7 from line 5		<b>8</b>
<b>9</b>	Personal holding company tax (attach Schedule PH (Form 1120))		<b>9</b>
<b>10</b>	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		<b>10</b>
<b>11</b>	<b>Total tax.</b> Add lines 8 through 10. Enter here and on line 31, page 1		<b>11</b> 0

**Schedule K Other Information** (see page 19 of instructions)

<b>1</b>	Check method of accounting: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) <input type="checkbox"/>	<b>Yes</b>	<b>No</b>	<b>7</b>	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned <input type="checkbox"/> and (b) Owner's country <input type="checkbox"/>	<b>Yes</b>	<b>No</b>
<b>2</b>	See page 21 of the instructions and enter the: a Business activity code no. <b>541990</b> b Business activity <b>MANAGEMENT</b> c Product or service <b>ADVISORS</b>						<b>X</b>
<b>3</b>	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		<b>X</b>				
<b>4</b>	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corp. <b>51-0383350</b> <b>EMC CAPITAL CORP</b>	<b>X</b>					
<b>5</b>	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned <b>100.000</b> <b>STMT 2</b>		<b>X</b>				
<b>6</b>	During this tax year, did the corp. pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		<b>X</b>				
				<b>8</b>	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
				<b>9</b>	Enter the amount of tax-exempt interest received or accrued during the tax year <b>\$ 0</b>		
				<b>10</b>	Enter the number of shareholders at the end of the tax year (if 75 or fewer) <input type="checkbox"/>		
				<b>11</b>	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T (b)(3)(i) or (ii) must be attached or the election will not be valid.		
				<b>12</b>	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) <b>\$ 131,032</b>		
				<b>13</b>	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/>	<b>X</b>	
				If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year <b>\$</b>			

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.



**Note:** The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		497		465
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets <b>STMT 3</b>		975,388		
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach sch.)				
15	<b>Total assets</b>		975,885		465
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities <b>STMT 4</b>		1,127,089		
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (att. sch.)				
22	Capital stock: a Preferred stock			500	500
	b Common stock				
23	Additional paid-in capital				139,125
24	Retained earnings-Appropriated				
25	Retained earnings-Unappropriated		-151,204		-139,160
26	Adjustments to SH equity				
27	Less cost of treasury stock				
28	<b>Total liabilities and shareholders' equity</b>		975,885		465

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 20 of instructions)				
1	Net income (loss) per books	12,044	7	Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books			Tax-exempt int. \$
3	Excess of capital losses over capital gains			
4	Income subject to tax not recorded on books this year (itemize):			
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):
a	Depreciation \$		a	Depreciation \$
b	Charitable contributions \$		b	Charitable contributions \$
c	Travel and entertainment \$			
6	Add lines 1 through 5	12,044	9	Add lines 7 and 8
			10	Income (line 28, page 1)-line 6 less line 9
				12,044

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)				
1	Balance at beginning of year	-151,204	5	Distributions: a Cash
2	Net income (loss) per books	12,044		b Stock
3	Other increases (itemize):			c Property
			6	Other decreases (itemize):
			7	Add lines 5 and 6
4	Add lines 1, 2, and 3	-139,160	8	Balance at end of year (line 4 less line 7)
				-139,160

**NOL and Contribution Carryover Worksheet - Regular Tax**Form **1120****2003**

For calendar year 2003 or tax year beginning

, ending

Name

Employer Identification Number

**ENERGY MERCHANT MANAGEMENT CO., LLC****13-4146881**

Preceding Taxable Year	Adj. To NOL Inc/(Loss) After Adj.	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Income Offset By NOL Carryback/ Carryover NOL Utilized	Carryover
15th 12/31/88					
14th 12/31/89					
13th 12/31/90					
12th 12/31/91					
11th 12/31/92					
10th 12/31/93					
9th 12/31/94					
8th 12/31/95					
7th 12/31/96					
6th 12/31/97					
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01	-190,821	59,789	131,032	12,044	118,988
1st 12/31/02	59,789	-59,789			
NOL Carryover Available To Current Year			131,032		
Current Year	0 12,044			12,044	0
NOL Carryover Available To Next Year					118,988

Charitable Contributions		Prior Year		Current Year		Next Year
Preceding Tax Year	Excess Contributions	Utilized Or Reclassified to NOL	Carryover	Reclassified to NOL (Reg. Sec. 1.170A-11(c)(2))	Carryovers Utilized	Carryover
12/31/98						
12/31/99						
12/31/00						
12/31/01						
12/31/02						
Charitable Contribution Carryover To Current Year			0			
Current Year	0					0
Charitable Contribution Carryover Available To Next Year						0

**NOL and Contribution Carryover Worksheet - AMT**Form **1120****2003**

For calendar year 2003 or tax year beginning

, ending

Name

Employer Identification Number

**ENERGY MERCHANT MANAGEMENT CO., LLC****13-4146881**

Preceding Taxable Year	Adj. To NOL Inc/(Loss) After Adj.	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Income Offset By NOL Carryback/ Carryover NOL Utilized	Carryover
15th 12/31/88					
14th 12/31/89					
13th 12/31/90					
12th 12/31/91					
11th 12/31/92					
10th 12/31/93					
9th 12/31/94					
8th 12/31/95					
7th 12/31/96					
6th 12/31/97					
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01	-190,821	59,789	131,032	10,840	120,192
1st 12/31/02	59,789	-59,789			
NOL Carryover Available To Current Year			131,032		
Current Year	0 10,840			10,840	0
NOL Carryover Available To Next Year					120,192

Charitable Contributions		Prior Year		Current Year		Next Year
Preceding Tax Year	Excess Contributions	Utilized Or Reclassified to NOL	Carryover	Reclassified to NOL (Reg. Sec. 1.170A-11(c)(2))	Carryovers Utilized	Carryover
5th 12/31/98						
4th 12/31/99						
3rd 12/31/00						
2nd 12/31/01						
1st 12/31/02						
Charitable Contribution Carryover To Current Year			0			
Current Year	0					0
Charitable Contribution Carryover Available To Next Year						0

**Federal Statements**

FYE: 12/31/2003

**Statement 1 - Form 1120, Page 1, Line 26 - Other Deductions**

<u>Description</u>	<u>Amount</u>
ADMIN FEES	\$ 18,333
AUTO & TRAVEL	1,243
BANK CHARGES	32
DATA SERVICES	914
OFFICE EXPENSE	10,224
PROFESSIONAL FEES	40,075
TELEPHONE & INTERNET	3,633
TOTAL	<u>\$ 74,454</u>

**Federal Statements**

FYE: 12/31/2003

**Statement 2 - Form 1120, Pg 3, Sch K, Question 5 - Did Entity Own 50% or More of Corp Stock?**

<u>EIN/SSN</u>	<u>Name of Entity</u>	<u>Percent Owned</u>
51-0383350	EMC CAPITAL CORP	<u>100.000</u>
TOTAL		<u>100.000</u>

**Federal Statements**

FYE: 12/31/2003

**Statement 3 - Form 1120, Page 4, Schedule L, Line 6 - Other Current Assets**

Description	Beginning of Year	End of Year
DUE FROM EMAC	\$ 975,388	\$
TOTAL	\$ 975,388	\$ 0

**Statement 4 - Form 1120, Page 4, Schedule L, Line 18 - Other Current Liabilities**

Description	Beginning of Year	End of Year
DUE TO EMC	\$ 1,127,089	\$
TOTAL	\$ 1,127,089	\$ 0

State Of Connecticut

## Corporation Business Tax Return

2003

(Rev. 12/03) AD

Enter Income Year Beginning 1/01/03, and Ending 12/31/03

Total Assets ▶ 465 00	<b>ENERGY MERCHANT MANAGEMENT CO., LLC</b> <b>126 EAST 56TH ST, 33 FLOOR</b> <b>NEW YORK NY 10022</b>	Connecticut Tax Registration Number
Gross Receipts ▶ 231,294 00		DRS USE ONLY - 20
NAICS Code (see instructions) ▶ 541990		Federal Employer ID Number 13-4146881
Audited By <input type="checkbox"/> F <input type="checkbox"/> O		

<b>CHECK AND COMPLETE ALL APPLICABLE BOXES</b>			4. If this is a final return, has the corporation:	5. Federal return was filed on:
1. Change of: <input type="checkbox"/> Closing <input type="checkbox"/> Month <input type="checkbox"/> Address	2. Return Status: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Short Period Return	3. If this is a short period, check the corresponding box: <input type="checkbox"/> Merger <input type="checkbox"/> Acquisition <input type="checkbox"/> Change of Filing Status	<input type="checkbox"/> Dissolved <input type="checkbox"/> Withdrawn <input type="checkbox"/> Merged/Reorganized (Enter survivor's Connecticut Tax Registration Number)	<input type="checkbox"/> 1120 <input type="checkbox"/> 1120A <input type="checkbox"/> 1120H <input checked="" type="checkbox"/> Other: Consolidated Basis: Parent Co. Name ▶ <b>EMC CAPITAL CO</b> Parent Co. FEIN ▶ <b>51-0383350</b>
6. Is this corporation exchanging R & D tax credits? ▶ <input type="checkbox"/> Yes (Attach Form CT-1120 XCH) <input checked="" type="checkbox"/> No				
7. Was this company included in a Connecticut combined business tax return for the previous year? ▶ <input checked="" type="checkbox"/> Yes ▶ <input type="checkbox"/> No (If this is the first year electing or revoking combined status, attach Form CT-1120CC or Form CT-1120CC-R)				
8. Is this company included in a Connecticut combined business tax return? <input checked="" type="checkbox"/> Yes (Complete Form CT-1120CR) <input type="checkbox"/> No				
9. Is the principal place of business located in Connecticut? ▶ <input checked="" type="checkbox"/> Yes ▶ <input type="checkbox"/> No If "No," enter state where principal place of business is located _____ State of incorporation <u>DE</u> Date of organization <u>12/08/00</u> Date qualified in Connecticut <u>12/08/00</u> Date business began in Connecticut <u>12/08/00</u>				
10. Is this corporation exempt from CT corporation business tax? <input type="checkbox"/> Yes (Attach explanation of exemption including statutory cite) <input checked="" type="checkbox"/> No				
11. Is this corporation annualizing its income? ▶ <input type="checkbox"/> Yes (Attach Form CT-1120I) <input checked="" type="checkbox"/> No				
12. Is this company subject to the interest add back or the intangible expense add back? ▶ <input type="checkbox"/> Yes (Attach Form CT-1120AB) <input checked="" type="checkbox"/> No				

- ATTACH A COMPLETE COPY OF FORM 1120 INCLUDING ALL SCHEDULES AS FILED WITH THE INTERNAL REVENUE SERVICE -

<b>SCHEDULE A - COMPUTATION OF TAX ON NET INCOME</b>		
1. Net Income (Schedule D, Line 18) (If 100% Connecticut, also enter on Line 3)	▶ 1	12,044 00
2. Apportionment fraction (Carry to six places. See instructions.)	▶ 2	1.000000
3. Connecticut net income (Multiply Line 1 by Line 2)	▶ 3	12,044 00
4. Operating loss carryover (Form CT-1120 ATT, Schedule H, Line 6, Column A)	▶ 4	12,044 00
5. Income subject to tax (Subtract Line 4 from Line 3)	▶ 5	0 00
6. TAX: Multiply Line 5 by 7.5% (.075)	▶ 6	0 00
<b>SCHEDULE B - COMPUTATION OF MINIMUM TAX ON CAPITAL</b>		
1. Minimum tax base (Schedule E, Line 6, Column C) (If 100% Connecticut, enter also on Line 3)	▶ 1	-75,370 00
2. Apportionment fraction (Carry to six places. See instructions.)	▶ 2	1.000000
3. Multiply Line 1 by Line 2	▶ 3	-75,370 00
4. Number of months covered by this return	▶ 4	12
5. Multiply Line 3 by Line 4, divide the result by 12	▶ 5	-75,370 00
6. TAX: (3 and 1/10 mills per dollar) Multiply Line 5 by .0031. (Maximum tax for Sch. B is \$1,000,000)	▶ 6	0 00
<b>SCHEDULE C - COMPUTATION OF AMOUNT PAYABLE (MINIMUM TAX \$250)</b>		
1a. Tax (Greater of Schedule A, Line 6; Schedule B, Line 6; or \$250)	▶ 1a	250 00
1b. Surtax (Line 1a multiplied by 20% (.20))	▶ 1b	50 00
1c. Recapture of Tax Credits (See instructions)	▶ 1c	00
1. TOTAL TAX (Enter the total of Line 1a, Line 1b, and Line 1c. If no tax credits claimed, also enter on Line 6.)	▶ 1	300 00
2. Multiply Line 1 by 30% (0.30)	▶ 2	90 00
3. Enter the greater of Line 2 or \$250	▶ 3	250 00
4. Tax Credit Limitation (Subtract Line 3 from Line 1)	▶ 4	50 00
5. Tax Credits (Form CT-1120K, Part II, Line 11. Do not exceed amount on Line 4.)	▶ 5	00
6. Balance of tax payable (Subtract Line 5 from Line 1)	▶ 6	300 00
7a. Paid with application for extension (Form CT-1120 EXT)	▶ 7a	00
7b. Paid with estimates (Forms CT-1120 ESA, ESB, ESC, & ESD)	▶ 7b	00
7c. Overpayment from prior year	▶ 7c	00
7. TAX PAYMENTS (Enter the total of Lines 7a, 7b, and 7c)	▶ 7	00
8. Balance of tax due (overpaid) (Subtract Line 7 from Line 6)	▶ 8	300 00
9. Add Penalty ▶(9a) .00 Int. ▶(9b) .00 Interest ▶(9c) .00	▶ 9	00
10. Amount to be credited to 2004 est. tax ▶(10a) .00 Refunded ▶(10b) .00	▶ 10	00
11. Balance due with this return (Add Line 8 and Line 9)	▶ 11	300 00
Make check payable to: <b>Commissioner of Revenue Services</b> (Attach check to return with paper clip. Do not staple.) <b>Department of Revenue Services</b> <b>PO Box 2974, Hartford CT 06104-2974</b>		
<input type="checkbox"/> Check if you do not want a booklet sent to you next year. (Checking this box does not relieve you of your responsibility to file.)		

**SCHEDULE D - COMPUTATION OF NET INCOME**

1. Federal taxable income (loss) before net operating loss and special deductions	1	12,044	00
2. Interest income wholly exempt from federal tax	2		00
3. Unallowable deduction for corporation tax (Schedule F, Line 8)	3		00
4. Interest expenses paid to a related member (Form CT-1120AB, Part I A, Line 1)	4		00
5. Intangible expenses and costs paid to a related member (Form CT-1120AB, Part I B, Line 1)	5		00
6. Federal bonus depreciation (See instructions)	6		00
7. TOTAL (Add Lines 1 through 6)	7	12,044	00
8. Dividend deduction (Form CT-1120 ATT, Schedule I, Line 4)	8		00
9. Capital loss carryover (if not deducted in computing federal capital gain)	9		00
10. Capital gain from sale of preserved land	10		00
11. Federal bonus depreciation recovery (Form CT-1120 ATT, Schedule J, Line 5)	11		00
12. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 1)	12		00
13. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 2)	13		00
14. Exceptions to interest add back (Form CT-1120 AB, Part II A, Line 3)	14		00
15. Exceptions to add back of intangible expenses paid to a related member (Form CT-1120 AB, Part II B, Line 1)	15		00
16. Other (Attach explanation)	16		00
17. TOTAL (Add Lines 8 through 16)	17	0	00
18. NET INCOME (Subtract Line 17 from Line 7. Enter here and on Schedule A, Line 1.)	18	12,044	00

**SCHEDULE E - COMPUTATION OF MINIMUM TAX BASE**

(See instructions)

	COLUMN A	COLUMN B	COLUMN C
	BEGINNING OF YEAR	END OF YEAR	(COLUMN A plus COLUMN B) DIVIDED BY 2
1. Capital stock (federal Schedule L, Line 22a and Line 22b)	00	500	00
2. Surplus and undivided profits (federal Schedule L, Lines 23, 24, and 25)	-151,204	-35	00
3. Surplus reserves (Attach schedule)	00	00	00
4. Total (Add Lines 1, 2, and 3). Enter average in Column C	-151,204	465	-75,370
5. Holdings of stock of private corporations (attach schedule). Enter average in Column C	00	00	00
6. Balance (Subtract Line 5, Column C, from Line 4, Column C. Enter here and on Schedule B, Line 1.)			-75,370

**SCHEDULE F - TAXES**

	COLUMN A	COLUMN B
1. Payroll	8,683	00
2. Real property		00
3. Personal property		00
4. Sales and use		00
5. Other (See instructions)	2,616	00
6. Connecticut corporation business (Deducted in the computation of federal taxable income)		00
7. Tax on or measured by income or profits imposed by other states or political subdivisions (Deducted in the computation of federal taxable income). ATTACH SCHEDULE		00
8. Total unallowable deduction for corporation business tax purposes (Add Line 6 and Line 7, Column B. Enter here and on Schedule D, Line 3.)		00

**SCHEDULE G - ADDITIONAL REQUIRED INFORMATION - Attach a Schedule of Officers**

SEE STMT 1

1. In which Connecticut town(s) does the corporation own or lease (as lessee) real or tangible personal property, or perform services?

WILTON, CT & RIDGEFIELD, CT

2. (a) Did this corporation directly or indirectly transfer a controlling interest in an entity owning Connecticut real property?

Yes ☐ No ☒

If "Yes," enter: Transferee Name

Federal Employer ID Number

(b) Was there a direct or indirect transfer of a controlling interest in your company owning Connecticut real property?

Yes ☐ No ☒

If "Yes," enter: Transferor Name

Federal Employer ID Number

3. Did any corporation at any time during the year own a majority of the voting stock of this corporation?

Yes ☐ No ☒

If "Yes," enter: Corporation Name

Federal Employer ID Number

4. Last taxable year this corporation was audited by the Internal Revenue Service

Were adjustments reported to Connecticut? Yes ☐ No ☐ (If "No," attach explanation.)

**DECLARATION:** I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand that the penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

**SIGN HERE**

Keep a copy of this return for your records

Signature of Corporate Officer

Title

Date

May DRS contact the preparer shown below about this return?

Paid Preparer's Signature

Telephone Number

☒ Yes ☐ No

Firm's Name and Address

Date

Preparer's SSN or PTIN

JEFFERSON, URIAN, DOANE & STERNER, P.A.  
PO BOX 477

1/25/06

P00319104

OCEAN VIEW, DE 19970-0477

FEIN  
51-0212284Telephone Number  
302-539-5543



Department of Revenue Services  
State of Connecticut

2003

**Form CT-1120 ATT**  
**Corporation Business Tax Return Attachment**  
**Schedules H, I, and J**

- See Instructions on Reverse -

(Rev. 12/03)

CONNECTICUT TAX REGISTRATION NUMBER

Corporation Name

**ENERGY MERCHANT MANAGEMENT CO., LLC****SCHEDULE H - Connecticut Apportioned Operating Loss Carryover**

	Connecticut Apportioned Income (Loss)	Loss Applied to Income Year 1999	Loss Applied to Income Year 2000	Loss Applied to Income Year 2001	Loss Applied to Income Year 2002	COLUMN A		COLUMN B	
						Loss Applied to Income Year 2003		Remaining Loss Available for 2004	
1. 1998									
2. 1999									
3. 2000									
4. 2001	-190,821				59,789	12,044		118,988	
5. 2002	59,789								
6. TOTAL (Add Lines 1 through 5 in Column A, and Lines 2 through 5 in Column B, and enter here. Enter the amount from Line 6, Column A on Form CT-1120, Schedule A, Line 4.)						12,044	00	118,988	00

**SCHEDULE I - Dividend Deduction**

		COLUMN A		COLUMN B	COLUMN C	COLUMN D		COLUMN E	
		Amount		Deduction Rate	Balance (Col. A x Col. B)	Related Expenses (attach schedule)		Dividend Deduction (Col. C - Col. D)	
1.	Dividend Income included in Computation of Federal Taxable Income (Form CT-1120, Schedule D, Line 1). See instructions.		00						
2.	Dividends from domestic corporations less than 20% owned.		00	70% (.70)			00		00
3.	Dividend Balance (Subtract Line 2 from Line 1).		00	100% (1.0)			00		00
4.	TOTAL DIVIDEND DEDUCTION (Add Line 2, Column E, and Line 3, Column E. Enter the result here and on Form CT-1120, Schedule D, Line 8)								00

**SCHEDULE J - Bonus Depreciation Recovery**

Assets Subject to I.R.C. §168(k) Placed in Service During Income Year		COLUMN A	COLUMN B	COLUMN C
		2003 MACRS Depreciation on Federal Basis (After I.R.C. §168(k) Bonus)	2003 MACRS Depreciation on Connecticut Basis (Without I.R.C. §168(k) Bonus)	2003 Recovery of I.R.C. §168(k) Bonus Depreciation (Col. B - Col. A)
1.	2000			00
2.	2001			00
3.	2002			00
4.	2003			00
5.	FEDERAL BONUS DEPRECIATION RECOVERY (Add Lines 1, 2, 3, and 4, in Column C. Enter the result here and on Form CT-1120, Schedule D, Line 11)			00

Form  
**CT-1120****CT Net Operating Loss Carryover Worksheet****2003**Enter income year beginning **1/01/03** and ending **12/31/03**

Name

Employer Identification Number

CT Tax Registration No.

**ENERGY MERCHANT MANAGEMENT CO., LLC****13-4146881**

Preceding Taxable Year	CT Net Income or (CT Net Loss)	Prior Year		Current Year	Next Year
		NOL Utilized (Income Offset)	Carryovers	Carryover NOL Utilized	Carryover
5th 12/31/98					
4th 12/31/99					
3rd 12/31/00					
2nd 12/31/01	-190,821	59,789	131,032	12,044	118,988
1st 12/31/02	59,789	-59,789			
NOL Carryover Available To Current Year			131,032		
Current Year	12,044			12,044	0
NOL Carryover Available To Next Year					118,988

**Connecticut Statements****Statement 1 - Form CT-1120, Page 2, Schedule G - Corporate Officers**

<u>Name</u>	<u>Address</u>	<u>City/St/Zip</u>	<u>Title</u>
MICHAEL S CORNISH	FLORIDA HILL RD	RIDGEFIRLD, CT 06877	PRESIDENT

**M**

---

Form **1065** Department of the Treasury Internal Revenue Service **U.S. Return of Partnership Income** **2002**

See separate instructions.

IRS use only - Do not write or staple in this space.

For calendar year 2002, or tax year beginning , 2002, and ending , 20 OMB No. 1545-0099

<b>A</b> Principal business activity	Use the IRS label. Otherwise, print or type.	ENERGY MERCHANT INVESTORS FUND, LLC 126 EAST 56TH ST., 33 FLR NEW YORK, NY 10022	<b>D</b> Employer identification number
<b>B</b> Principal product or service			13-4146885
<b>C</b> Business code number			<b>E</b> Date business started
HEDGE FUND			1/01/2001
COMMODITIES			<b>F</b> Total assets (see instrs)
525990			\$ 6,012,356.

**G** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☒ Amended return

**H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) . . . . .

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. . . . . 3

**Caution:** Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>INCOME</b>	<b>1 a</b> Gross receipts or sales . . . . .	<b>1 a</b>	
	<b>b</b> Less returns and allowances . . . . .	<b>1 b</b>	<b>1 c</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8) . . . . .	<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c . . . . .	<b>3</b>	
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule) . . . . .	<b>4</b>	
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . .	<b>5</b>	
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18 . . . . .	<b>6</b>	
	<b>7</b> Other income (loss) (attach schedule) . . . . .	<b>7</b>	
<b>8</b> Total income (loss). Combine lines 3 through 7 . . . . .	<b>8</b>		
<b>SEE INSTRUCTIONS FOR DEDUCTIONS</b>	<b>9</b> Salaries and wages (other than to partners) (less employment credits) . . . . .	<b>9</b>	
	<b>10</b> Guaranteed payments to partners . . . . .	<b>10</b>	
	<b>11</b> Repairs and maintenance . . . . .	<b>11</b>	
	<b>12</b> Bad debts . . . . .	<b>12</b>	
	<b>13</b> Rent . . . . .	<b>13</b>	
	<b>14</b> Taxes and licenses . . . . .	<b>14</b>	
	<b>15</b> Interest . . . . .	<b>15</b>	
	<b>16 a</b> Depreciation (if required, attach Form 4562) . . . . .	<b>16 a</b>	
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return . . . . .	<b>16 b</b>	<b>16 c</b>
	<b>17</b> Depletion (Do not deduct oil and gas depletion.) . . . . .	<b>17</b>	
	<b>18</b> Retirement plans, etc. . . . .	<b>18</b>	
	<b>19</b> Employee benefit programs . . . . .	<b>19</b>	
	<b>20</b> Other deductions (attach schedule) . . . . .	<b>20</b>	SEE STATEMENT 1 36,013.
<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20. . . . .	<b>21</b>	36,013.	
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8. . . . .	<b>22</b>	-36,013.	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member

Date

May the IRS discuss this return with the preparer shown below (see instrs)? ☒ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed ☒

Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code

CHARLES F. CURCIO, CPA  
PO BOX 549  
BEL AIR, MD 21014

EIN

23-2469983

Phone no.

(410) 893-2768

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year.....	1	
2	Purchases less cost of items withdrawn for personal use.....	2	
3	Cost of labor.....	3	
4	Additional section 263A costs (attach schedule).....	4	
5	Other costs (attach schedule).....	5	
6	<b>Total.</b> Add lines 1 through 5.....	6	
7	Inventory at end of year.....	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2.....	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3  
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
 (iii) ☐ Other (specify method used and attach explanation).....

**b** Check this box if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c)..... ☐ Yes ☐ No

**c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)..... ☐ Yes ☐ No

**d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership?..... ☐ Yes ☐ No

**e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory?..... ☐ Yes ☐ No  
 If 'Yes', attach explanation.

**Schedule B Other Information**

<b>1</b> What type of entity is filing this return? Check the applicable box:	<b>Yes</b>	<b>No</b>
<b>a</b> <input type="checkbox"/> Domestic general partnership		
<b>b</b> <input type="checkbox"/> Domestic limited partnership		
<b>c</b> <input checked="" type="checkbox"/> Domestic limited liability company		
<b>d</b> <input type="checkbox"/> Domestic limited liability partnership		
<b>e</b> <input type="checkbox"/> Foreign partnership		
<b>f</b> <input type="checkbox"/> Other.....		
<b>2</b> Are any partners in this partnership also partnerships?.....		X
<b>3</b> During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment.....	X	
<b>4</b> Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If 'Yes,' see <b>Designation of Tax Matters Partner</b> below.....	X	
<b>5</b> Does this partnership meet <b>all three</b> of the following requirements? <b>a</b> The partnership's total receipts for the tax year were less than \$250,000; <b>b</b> The partnership's total assets at the end of the tax year were less than \$600,000; and <b>c</b> Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1.....		X
<b>6</b> Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions.....		X
<b>7</b> Is this partnership a publicly traded partnership as defined in section 469(k)(2)?.....		X
<b>8</b> Has this partnership filed, or is it required to file, <b>Form 8264</b> , Application for Registration of a Tax Shelter?.....		X
<b>9</b> At any time during calendar year 2002, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country. ▶ <u>BERMUDA</u> .....	X	
<b>10</b> During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions.....		X
<b>11</b> Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described in the instructions under <b>Elections Made By the Partnership</b> .....		X
<b>12</b> Enter the number of <b>Forms 8865</b> , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return.....	0	

**Designation of Tax Matters Partner** (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶ S. MICHAEL CORNISH Identifying number of TMP ▶ 101-58-5760  
 Address of designated TMP ▶ 369 FLORIDA HILL RD  
RIDGEFIELD, CT 06877

**Schedule K Partners' Shares of Income, Credits, Deductions, etc****(a) Distributive share items****(b) Total amount**

Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-36,013.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach sch)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss): a Interest income	4a	61,528.
	b Ordinary dividends	4b	4,200.
	c Royalty income	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	3,383,670.
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e (1)	
(2) 28% rate gain (loss)	(3) Qualified 5-year gain		
f Other portfolio income (loss) (attach schedule)	4f		
5 Guaranteed payments to partners	5		
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6		
7 Other income (loss)	7		
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
Deductions	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions SEE STATEMENT 2	11	79,491.
Credits	12a Low-income housing credit:		
	(1) From partnerships to which section 42(j)(5) applies	12a (1)	
	(2) Other than on line 12a(1)	12a (2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
13 Other credits	13		
Investment Interest	14a Interest expense on investment debts	14a	3,948.
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)	65,728.
	(2) Investment expenses included on line 10 above	14b (2)	
Self-Employment	15a Net earnings (loss) from self-employment	15a	
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d (1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)	
	e Other adjmnts & tax pref items	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17d (3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense (2) Other	17e (2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive (2) Listed categories (attach sch) (3) General limitation	17f (3)	
	g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
h Reduction in taxes available for credit (attach schedule)	17h		
Other	18 Section 59(e)(2) expenditures: a Type b Amount	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	3,703,041.
	23 Distributions of property other than money	23	
24 Other items and amounts required to be reported separately to partners (attach schedule)			

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b.					1	3,329,946.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners	171,832.	3,158,114.				

Note: schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash					737.
2a Trade notes and accounts receivable					
b Less allowance for bad debts					
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets (attach schedule)					
7 Mortgage and real estate loans					
8 Other investments (attach schedule) SEE ST. 3.			6,366,252.		6,011,619.
9a Buildings and other depreciable assets					
b Less accumulated depreciation					
10a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)					
12a Intangible assets (amortizable only)					
b Less accumulated amortization					
13 Other assets (attach schedule)					
14 Total assets			6,366,252.		6,012,356.
Liabilities and Capital					
15 Accounts payable			20,000.		33,200.
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach sch.) SEE ST. 4.			1,000.		7,000.
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more					
20 Other liabilities (attach schedule)					
21 Partners' capital accounts			6,345,252.		5,972,156.
22 Total liabilities and capital			6,366,252.		6,012,356.

**Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

1 Net income (loss) per books	3,329,946.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest	\$
3 Guaranteed prmts (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation	\$
a Depreciation	\$	8 Add lines 6 and 7	
b Travel and entertainment	\$	9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	3,329,946.
5 Add lines 1 through 4	3,329,946.		

**Analysis of Partners' Capital Accounts**

1 Balance at beginning of year	6,345,252.	6 Distributions: a Cash	3,703,041.
2 Capital contributed: a Cash		b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	3,329,946.	8 Add lines 6 and 7	3,703,041.
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5	5,972,156.
5 Add lines 1 through 4	9,675,198.		



**Schedule D**  
**(Form 1065)**

Department of the Treasury  
Internal Revenue Service

**Capital Gains and Losses**

► Attach to Form 1065.

OMB No. 1545-0099

**2002**

Name of partnership

ENERGY MERCHANT INVESTORS FUND, LLC

Employer identification number

13-4146885

**Part I Short-Term Capital Gains and Losses — Assets Held One Year or Less**

(a) Description of property (e.g., 100 shares of 'Z' Co)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) ((d) minus (e))	
1						
2 Short-term capital gain from installment sales from Form 6252, line 26 or 37					2	
3 Short-term capital gain (loss) from like-kind exchanges from Form 8824					3	
4 Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts					4	3,383,670.
5 Net short-term capital gain or (loss). Combine lines 1 through 4 in column (f). Enter here and on Form 1065, Schedule K, line 4d or 7.					5	3,383,670.

**Part II Long-Term Capital Gains and Losses — Assets Held More Than One Year**

(a) Description of property (e.g., 100 shares of 'Z' Co)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) ((d) minus (e))	(g) 28% rate gain or (loss) * (see instructions)
6						
7 Long-term capital gain from installment sales from Form 6252, line 26 or 37					7	
8 Long-term capital gain (loss) from like-kind exchanges from Form 8824					8	
9 Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts					9	
10 Capital gain distributions					10	
11 Combine lines 6 through 10 in column (g). Enter here and on Form 1065, Schedule K, line 4e(2) or 7.					11	
12 Net long-term capital gain or (loss). Combine lines 6 through 10 in column (f). Enter here and on Form 1065, Schedule K, line 4e(1) or 7.					12	

\*28% rate gain or (loss) includes all 'collectibles gains and losses' (as defined in the instructions).

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule D (Form 1065) 2002

Schedule K-1  
(Form 1065)

## Partner's Share of Income, Credits, Deductions, etc

OMB No. 1545-0099

2002

Department of the Treasury  
Internal Revenue Service

beginning

For calendar year 2002 or tax year

, 2002, and ending

, 20

Partner's identifying number ▶ 51-0383350

Partnership's identifying number ▶ 13-4146885

Partner's name, address, and ZIP code

EMC CAPITAL CORP  
126 EAST 56TH ST, 33 FLR  
NEW YORK, NY 10022

Partnership's name, address, and ZIP code

ENERGY MERCHANT INVESTORS FUND, LLC  
126 EAST 56TH ST., 33 FLR  
NEW YORK, NY 10022A This partner is a ☐ general partner ☐ limited partner☒ limited liability company member

B What type of entity is this partner? ▶ CORPORATION

C Is this partner a ☒ domestic or a ☐ foreign partner?D Enter partner's % of: (i) Before change or termination (ii) End of year  
Profit sharing ..... 40 % 13.736643 %  
Loss sharing ..... 40 % 13.736643 %  
Ownership of capital ..... 20 % 13.736647 %

E IRS Center where partnership filed return: CINCINNATI, OH

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$

Qualified nonrecourse financing ..... \$

Other ..... \$

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

## J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
1,286,992.		171,832.	( 638,450.)	820,374.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities.....	1 -4,947.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a 8,452.	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d 179,788.	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 5 of worksheet for Sch D, line 29
	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable line of your return
	5 Guaranteed payments to partner.....	5	
Deductions	6 Net section 1231 gain (loss) (other than due to casualty or theft).....	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7	Enter on applicable line of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9	
	10 Deductions related to portfolio income (attach schedule).....	10	See Partner's Instructions for Schedule K-1 (Form 1065).
Credits	11 Other deductions (attach schedule)..... SEE LINE 25	11 10,919.	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships.....	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

3AA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a 542.	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1) 8,452.	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments & tax preference items (attach sch.)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession	17a	Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive	17f(1)	
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type	18a	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22 638,450.	
	23 Distributions of property other than money	23	Form 8611, line 8
	24 Recapture of low-income housing credit:		
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	<b>LINE 11 OTHER DEDUCTIONS</b>  BANK CHARGES \$ 30. DIRECT FUND EXPENSES 10,889. <b>TOTAL \$ 10,919.</b>		

**Schedule K-1**  
(Form 1065)

**Partner's Share of Income, Credits, Deductions, etc**

OMB No. 1545-0099

**2002**

Department of the Treasury  
Internal Revenue Service

For calendar year 2002 or tax year

beginning , 2002, and ending , 20

Partner's identifying number ▶ 101-58-5760

Partnership's identifying number ▶ 13-4146885

Partner's name, address, and ZIP code

Partnership's name, address, and ZIP code

MICHAEL CORNISH  
369 FLORIDA HILL RD  
RIDGEFIELD, CT 06877

ENERGY MERCHANT INVESTORS FUND, LLC  
126 EAST 56TH ST., 33 FLR  
NEW YORK, NY 10022

A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? ▶ **INDIVIDUAL**

C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's % of: (i) Before change or termination (ii) End of year  
Profit sharing ..... 59 % 86.140355 %  
Loss sharing ..... 59 % 86.140355 %  
Ownership of capital ..... 79 % 86.140365 %

E IRS Center where partnership filed return: CINCINNATI, OH

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$  
Qualified nonrecourse financing ..... \$  
Other ..... \$

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
5,058,260.		3,150,768.	( 3,064,591.)	5,144,437.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities.....	1 -31,022.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a 53,000.	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b 4,200.	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d 3,196,465.	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 5 of worksheet for Sch D, line 29
<b>Deductions</b>	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable ln of your return
	5 Guaranteed payments to partner.....	5	
	6 Net section 1231 gain (loss) (other than due to casualty or theft).....	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7	Enter on applicable ln of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9	
<b>Credits</b>	10 Deductions related to portfolio income (attach schedule).....	10	See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule)..... SEE LINE 25	11 68,474.	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships.....	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a 3,401.	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1) 57,200.	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments & tax preference items (attach sch)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession	17a	Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive	17f(1)	
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type	18a	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22 3,064,591.	
	23 Distributions of property other than money	23	Form 8611, line 8
	24 Recapture of low-income housing credit:		
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	<b>LINE 11 OTHER DEDUCTIONS</b>		
	BANK CHARGES	\$	188.
	DIRECT FUND EXPENSES		68,286.
		TOTAL \$	68,474.

**Schedule K-1**  
(Form 1065)

**Partner's Share of Income, Credits, Deductions, etc**

OMB No. 1545-0099

**2002**

Department of the Treasury  
Internal Revenue Service

For calendar year 2002 or tax year

beginning , 2002, and ending , 20

Partner's identifying number ▶ 097-58-8392

Partnership's identifying number ▶ 13-4146885

Partner's name, address, and ZIP code

CHARLES P DUFFY  
22 BOUTONVILLE RD  
SOUTH SALEM, NY 10590

Partnership's name, address, and ZIP code

ENERGY MERCHANT INVESTORS FUND, LLC  
126 EAST 56TH ST., 33 FLR  
NEW YORK, NY 10022

**A** This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

**B** What type of entity is this partner? ▶ **INDIVIDUAL**

**C** Is this partner a ☒ domestic or a ☐ foreign partner?

**D** Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	1 %	0.123002 %
Loss sharing	1 %	0.123002 %
Ownership of capital	1 %	0.123004 %

**E** IRS Center where partnership filed return: CINCINNATI, OH

**F** Partner's share of liabilities (see instructions):

Nonrecourse..... \$  
Qualified nonrecourse financing..... \$  
Other..... \$

**G** Tax shelter registration number ▶

**H** Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)..... ☐

**I** Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
0.		7,346.		7,346.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities.....	1 -44.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities.....	2	
	3 Net income (loss) from other rental activities.....	3	
	4 Portfolio income (loss):		
	a Interest.....	4a 76.	Schedule B, Part I, line 1
	b Ordinary dividends.....	4b	Schedule B, Part II, line 5
	c Royalties.....	4c	Schedule E, Part I, line 4
	d Net short-term capital gain (loss).....	4d 7,417.	Schedule D, line 5, column (f)
	e (1) Net long-term capital gain (loss).....	4e(1)	Schedule D, line 12, column (f)
	(2) 28% rate gain (loss).....	4e(2)	Schedule D, line 12, column (g)
	(3) Qualified 5-year gain.....	4e(3)	Line 5 of worksheet for Sch D, line 29
<b>Deductions</b>	f Other portfolio income (loss) (attach schedule).....	4f	Enter on applicable line of your return
	5 Guaranteed payments to partner.....	5	
	6 Net section 1231 gain (loss) (other than due to casualty or theft).....	6	See Partner's Instructions for Schedule K-1 (Form 1065).
	7 Other income (loss) (attach schedule).....	7	Enter on applicable line of your return
	8 Charitable contributions (see instructions) (attach schedule).....	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction.....	9	
	10 Deductions related to portfolio income (attach schedule).....	10	See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule)..... SEE LINE 25	11 98.	
	12a Low-income housing credit:		
	(1) From section 42(j)(5) partnerships.....	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1).....	12a(2)	
<b>Credits</b>	b Qualified rehabilitation expenditures related to rental real estate activities.....	12b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities.....	12c	
	d Credits related to other rental activities.....	12d	
	13 Other credits.....	13	

**BAA** For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

## (a) Distributive share item

## (b) Amount

(c) 1040 filers enter the amount in column (b) on:

Investment Interest	14a Interest expense on investment debts	14a	5	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1)	76	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)		
Self-employment	15a Net earnings (loss) from self-employment	15a		Schedule SE, Section A or B
	b Gross farming or fishing income	15b		See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c		
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a		See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b		
	c Depletion (other than oil and gas)	16c		
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)		
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)		
	e Other adjustments & tax preference items (attach sch)	16e		
Foreign Taxes	17a Name of foreign country or U.S. possession			Form 1116, Part I
	b Gross income from all sources	17b		
	c Gross income sourced at partner level	17c		
	d Foreign gross income sourced at partnership level:			
	(1) Passive	17d(1)		
	(2) Listed categories (attach schedule)	17d(2)		
	(3) General limitation	17d(3)		
	e Deductions allocated and apportioned at partner level:			
	(1) Interest expense	17e(1)		
	(2) Other	17e(2)		
	f Deductions allocated and apportioned at partnership level to foreign source income:			
	(1) Passive	17f(1)		
(2) Listed categories (attach schedule)	17f(2)			
(3) General limitation	17f(3)			
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g		Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h		Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type			See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b		
	19 Tax-exempt interest income	19		Form 1040, line 8b
	20 Other tax-exempt income	20		See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21		
	22 Distributions of money (cash and marketable securities)	22		
	23 Distributions of property other than money	23		
	24 Recapture of low-income housing credit:			Form 8611, line 8
a From section 42(j)(5) partnerships	24a			
b Other than on line 24a	24b			

25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):

**LINE 11  
OTHER DEDUCTIONS**

DIRECT FUND EXPENSES

TOTAL \$ 98.  
\$ 98.

Supplemental Information

2002

## FEDERAL STATEMENTS

PAGE 1

ENERGY MERCHANT INVESTORS FUND, LLC

13-4146885

STATEMENT 1  
FORM 1065, LINE 20  
OTHER DEDUCTIONS

ACCOUNTING.....	\$	15,750.
BANK CHARGES.....		263.
LEGAL AND PROFESSIONAL.....		20,000.
TOTAL	\$	<u>36,013.</u>

STATEMENT 2  
FORM 1065, SCHEDULE K, LINE 11  
OTHER DEDUCTIONS

BANK CHARGES.....	\$	218.
DIRECT FUND EXPENSES.....		79,273.
TOTAL	\$	<u>79,491.</u>

STATEMENT 3  
FORM 1065, SCHEDULE L, LINE 8  
OTHER INVESTMENTS

	BEGINNING	ENDING
EM MASTER FUND LTD.....	\$ 6,366,252.	\$ 6,011,619.
TOTAL	<u>\$ 6,366,252.</u>	<u>\$ 6,011,619.</u>

STATEMENT 4  
FORM 1065, SCHEDULE L, LINE 17  
OTHER CURRENT LIABILITIES

	BEGINNING	ENDING
DUE TO EMC.....	\$ 1,000.	\$ 7,000.
TOTAL	<u>\$ 1,000.</u>	<u>\$ 7,000.</u>



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02/12/03

Accrual Basis

# Energy Merchant Investors Fund, LLC

## Balance Sheet

As of December 31, 2002

	<u>Dec 31, 02</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Citibank Operating Account	368.64
Citibank Subscription Account	368.64
Total Checking/Savings	<u>737.28</u>
Total Current Assets	737.28
Other Assets	
Investment in Master Fund	
Contributions	2,000,000.00
Distributions	-5,513,041.38
Exp Distributions	-1,119,836.90
Returns from Master Fund	10,644,497.09
Total Investment in Master Fund	<u>6,011,618.81</u>
Total Other Assets	<u>6,011,618.81</u>
<b>TOTAL ASSETS</b>	<u><u>6,012,356.09</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accrued Liabilities	
Audit Fees	33,199.92
Total Accrued Liabilities	<u>33,199.92</u>
Payable to EMC	7,000.00
Total Other Current Liabilities	<u>40,199.92</u>
Total Current Liabilities	<u>40,199.92</u>
Total Liabilities	40,199.92
Equity	
Equity - CPD	
Retained Earnings	7,345.85
Total Equity - CPD	<u>7,345.85</u>
Equity - EMCC	
Contributions - EMCC	1,000,000.00
Direct Distributions - EMCC	-3,033,041.38
Exp Distributions 2001 - EMCC	-201,643.45
Exp Distributions 2002 - EMCC	-105,409.00
Retained Earnings	3,160,467.61
Total Equity - EMCC	<u>820,373.78</u>
Equity - MC	
Contributions - MC	1,000,000.00
Direct Distributions - MC	-2,480,000.00
Exp Distributions 2001 - MC	-201,643.44
Exp Distributions 2002 - MC	-584,591.00
Retained Earnings	7,410,670.98
Total Equity - MC	<u>5,144,436.54</u>
Retained Earnings	-3,329,945.93
Net Income	3,329,945.93
Total Equity	<u>5,972,156.17</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>6,012,356.09</u></u>

Ties to Master Fund  
Equity Accounts

Ties to EMC

Ties to EMC CC

Investment Account

3064571

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02/12/03

Accrual Basis

**Energy Merchant Investors Fund, LLC**  
**Profit & Loss**  
January through December 2002

	<u>Jan - Dec 02</u>	
Ordinary Income/Expense		
Income		
Dividend Income	4,200.00	
Interest Income	61,527.68	
Option Premiums	3,456,422.40	
Realized Gains & Losses	351,393.32	
Unrealized Gains & Losses	1,130,988.80	
Total Income	5,004,532.20	
Expense		
Bank Charges	218.00	
Brokerage Commissions	1,555,134.45	
Fund Expenses	79,273.62	
Interest Expense	3,047.55	
Total Expense	1,638,573.62	
Net Ordinary Income	3,365,958.58	Ties to Fund Net Income
Other Income/Expense		
Other Expense		
Administration Fees	15,750.01	
Bank Charges Other	262.72	
Professional Fees		
Audit Fees	19,999.92	
Total Professional Fees	19,999.92	
Total Other Expense	36,012.65	
Net Other Income	-36,012.65	Feeder Fund Expenses
Net Income	<u>3,329,945.93</u>	

**Feeder Fund with Expenses  
Balance Sheet  
As of December 31, 2002**

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02/12/03

Accrual Basis

	<u>Dec 31, 02</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Citibank Operating Account	368.64
Citibank Subscription Account	<u>368.64</u>
Total Checking/Savings	<u>737.28</u>
Total Current Assets	737.28
Other Assets	
Investment in Master Fund	
Contributions	2,000,000.00
Distributions	<u>-5,513,041.38</u>
Exp Distributions	<u>-1,119,836.90</u>
Returns from Master Fund	<u>10,644,497.09</u>
Total Investment in Master Fund	<u>6,011,618.81</u>
Total Other Assets	<u>6,011,618.81</u>
<b>TOTAL ASSETS</b>	<u><u>6,012,356.09</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Accrued Liabilities	
Audit Fees	<u>33,199.92</u>
Total Accrued Liabilities	<u>33,199.92</u>
Payable to EMC	<u>40,302.43</u>
Total Other Current Liabilities	<u>73,502.35</u>
Total Current Liabilities	<u>73,502.35</u>
Total Liabilities	73,502.35
Equity	
Equity - EMCC	
Contributions - EMCC	1,000,000.00
Distributions - EMCC	<u>-3,033,041.38</u>
Total Equity - EMCC	<u>-2,033,041.38</u>
Equity - MC	
Contributions - MC	1,000,000.00
Distributions - MC	<u>-2,480,000.00</u>
Total Equity - MC	<u>-1,480,000.00</u>
Retained Earnings	6,814,695.74
Net Income	<u>2,637,199.38</u>
Total Equity	<u>5,938,853.74</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>6,012,356.09</u></u>

Ties to Master Fund Equity  
Accounts

3:12 PM

02/12/03

Accrual Basis

**Feeder Fund with Expenses  
Profit & Loss  
January through December 2002**

*Internal  
Reconciliation  
Entity*

Jan - Dec 02

**Ordinary Income/Expense**

**Income**

Dividend Income	4,200.00
Interest Income	61,527.68
Option Premiums	3,479,922.40
Realized Gains & Losses	-147,776.68
Unrealized Gains & Losses	1,606,658.80

**Total Income**

5,004,532.20

**Expense**

Bank Charges	218.00
Brokerage Commissions	1,555,134.45
Fund Expenses	79,273.62
Interest Expense	3,047.55

**Total Expense**

1,638,573.62

**Net Ordinary Income**

3,365,958.58

*Master Fund Net Income*

**Other Income/Expense**

**Other Income**

Administration Fees	-15,750.01
Audit Fees	-19,999.92
Bank Charges Other	-262.72

**Total Other Income**

-36,012.65

*Feeder Fund Expenses*

**Other Expense**

Auto	10,814.12
Benefits	23,063.35
Data Services	23,556.68
Filing Fees	4,226.30
Meals & Entertainment	40,345.15
Office Supplies	94,767.20
Professional Fees	
Legal Fees	38,899.48
Professional Fees - Other	4,012.00

**Total Professional Fees**

42,911.48

**Rent**

38,500.00

**Salaries & P/R Taxes**

401,866.08

**Telephone, Internet, Cable**

12,896.21

**Total Other Expense**

692,746.55

*Mgmt Co. Expenses*

**Net Other Income**

-728,759.20

**Net Income**

2,637,199.38

3:28 PM

02/12/03

Accrual Basis

**Energy Merchant Investors Master Fund, Ltd**  
**Balance Sheet**  
**As of December 31, 2002**

	<u>Dec 31, 02</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Bermuda Commercial Bank	154.06
Brokers	
ADM 97533	780,206.72
Advest Total	
Advest Cash	6.37
Total Advest Total	6.37
Fimat USA, Inc.	283.81
Refco, Inc.	3,677,970.29
Stone 14268	1,539,378.85
Total Brokers	6,007,846.04
Total Checking/Savings	6,008,000.10
Total Current Assets	6,008,000.10
Other Assets	
Other Assets	
Organizational Costs	38,000.00
Total Other Assets	38,000.00
Total Other Assets	38,000.00
<b>TOTAL ASSETS</b>	<u><b>6,046,000.10</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
A/P and Accrued Expenses	
Accrued Admin	881.33
Accrued Audit	22,499.96
Accrued Legal	11,000.00
Total A/P and Accrued Expenses	34,381.29
Total Other Current Liabilities	34,381.29
Total Current Liabilities	34,381.29
Total Liabilities	34,381.29
Equity	
Contributions	2,000,000.00
Distributions	-5,513,041.38
Expense Distributions	-1,119,836.90
Retained Earnings	7,278,538.51
Net Income	3,365,958.58
Total Equity	<u><b>6,011,618.81</b></u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>6,046,000.10</b></u>

To:  
Charly  
Curcio

Ties to Feeder  
Investment  
Account

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02/12/03

Accrual Basis

## Energy Merchant Investors Master Fund, Ltd

## Profit &amp; Loss

January through December 2002

	<u>Jan - Dec 02</u>
Ordinary Income/Expense	
Income	
Dividend Income	4,200.00
Interest Income	61,527.68
Option Premiums	3,456,422.40
Realized Gains & Losses	
Bond Gains & Losses	-256,253.94
Futures Gains & Losses	3,255,650.00
Prior Year Unrealized Loss	345,753.94
Stock Gains & Losses	-2,660,557.88
Total Realized Gains & Losses	684,592.12
Unrealized Gains & Losses	
Bond Gains and Losses	0.00
Futures Gains & Losses	-738,010.00
Options Gains & Losses	1,535,800.00
Stock Gains & Losses	0.00
Total Unrealized Gains & Losses	797,790.00
Total Income	5,004,532.20
Expense	
Bank Charges	218.00
Brokerage Commissions	1,555,134.45
Interest Expense	3,947.55
Total Expense	1,559,300.00
Net Ordinary Income	3,445,232.20
Other Income/Expense	
Other Expense	
Administration Fees	43,493.66
Amortization Expense	12,000.00
Audit Fees	15,999.96
Fund Expenses	1,780.00
Legal Fees	6,000.00
Total Other Expense	79,273.62
Net Other Income	-79,273.62
Net Income	<u>3,365,958.58</u>

*Ties to Feeder  
Dr & Cr*

**EMC**

Beg Balance	-	1,286,991
Contributions	1,000,000	-
Income	2,988,634	171,833
Withdrawals	(2,500,000)	(533,041)
Withdrawals	<u>(201,643)</u>	<u>(105,409)</u>
Ending Balance	1,286,991	820,374

**MC**

Beg Balance	-	5,058,261
Contributions	1,000,000	-
Income	4,259,904	3,150,767
Withdrawals	-	(2,480,000)
Withdrawals	<u>(201,643)</u>	<u>(584,591)</u>
Ending Balance	5,058,261	5,144,437

**CPD**

Beg Balance	-	-
Contributions	-	-
Income	-	7,346
Withdrawals	-	-
Withdrawals	<u>-</u>	<u>-</u>
Ending Balance	-	7,346

**Total**

Beg Balance	-	6,345,252
Contributions	2,000,000	-
Income	7,248,539	3,329,946
Withdrawals	(2,500,000)	(3,013,041)
Withdrawals	<u>(403,287)</u>	<u>(690,000)</u>
Ending Balance	6,345,252	5,972,156

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(42,872.06)	(57,222.78)	(69,430.29)	(86,137.53)
Cumulative	(48,507.89)	(90,831.78)	(144,584.73)	(187,695.11)	(251,980.30)	(294,481.75)	(384,761.32)	(437,083.89)	(479,955.95)	(537,178.73)	(606,609.02)	(692,746.55)
MC Portion	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(37,734.22)	(49,317.31)	(61,012.12)	(73,982.20)
EMC Portion	-	-	-	-	-	-	-	-	(5,137.84)	(7,905.51)	(8,418.17)	(12,155.33)
Monthly	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(42,872.06)	(57,222.82)	(69,430.29)	(86,137.53)
Billing to EMAC	53,897.66	47,026.54	59,725.50	47,900.42	71,427.99	47,223.83	100,310.63	58,136.19	41,926.91	54,797.01	67,791.24	82,202.44
Net Inc in EMMC	5,389.77	4,702.65	5,972.55	4,790.04	7,142.80	4,722.38	10,031.06	5,813.62	(945.15)	(2,425.81)	(1,639.05)	(3,935.09)

Billing to EMAC	(53,897.66)	(47,026.54)	(59,725.50)	(47,900.42)	(71,427.99)	(47,223.83)	(100,310.63)	(58,136.19)	(41,926.91)	(54,797.01)	(67,791.24)	(82,202.44)
MC Portion of EMAC	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(37,734.22)	(49,317.31)	(61,012.12)	(73,982.20)
EMC Portion of EMAC	(5,389.77)	(4,702.65)	(5,972.55)	(4,790.04)	(7,142.80)	(4,722.38)	(10,031.06)	(5,813.62)	(4,192.69)	(5,479.70)	(6,779.12)	(8,220.24)

MC P&L	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(37,734.22)	(49,317.31)	(61,012.12)	(73,982.20)
	(48,507.89)	(90,831.78)	(144,584.73)	(187,695.11)	(251,980.30)	(294,481.75)	(384,761.32)	(437,083.89)	(474,818.11)	(524,135.42)	(585,147.54)	(659,129.74)

EMC P&L from Both	0.00	-	0.00	0.00	0.00	0.00	-	0.00	(5,137.84)	(7,905.51)	(8,418.17)	(12,155.33)
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(5,137.84)	(13,043.35)	(21,461.52)	(33,616.85)

Totals	(48,507.89)	(42,323.89)	(53,752.95)	(43,110.38)	(64,285.19)	(42,501.45)	(90,279.57)	(52,322.57)	(42,872.06)	(57,222.82)	(69,430.29)	(86,137.53)
	(48,507.89)	(90,831.78)	(144,584.73)	(187,695.11)	(251,980.30)	(294,481.75)	(384,761.32)	(437,083.89)	(479,955.95)	(537,178.77)	(606,609.06)	(692,746.59)

#### EMMC Net Income

Total Billing to EMAC	732,366.38
Total Expenses	(692,746.55)
Net income EMMC	39,619.83

EMC Portion of EMAC loss	(73,236.64)
--------------------------	-------------

Net Loss to EMC from Expenses	(33,616.81)
-------------------------------	-------------

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>Expense Distributions</b>													
EMC CC Distributions	16,411	-	-	14,314	15,765	7,178	7,462	12,649	10,683	8,042	5,952	6,954	105,410
MC Distributions	83,589	-	-	85,686	84,235	42,822	82,538	37,351	39,317	41,958	44,048	43,046	584,590
	100,000	-	-	100,000	100,000	50,000	90,000	50,000	50,000	50,000	50,000	50,000	690,000
<b>Direct Distributions</b>													
EMC CC Distributions	292,041	-	-	-	-	-	-	-	-	241,000	-	-	533,041
MC Distributions	-	-	-	1,500,000	-	50,000	140,000	110,000	130,000	250,000	150,000	150,000	2,480,000
	292,041	-	-	1,500,000	-	50,000	140,000	110,000	130,000	491,000	150,000	150,000	3,013,041
<b>Total Distributions</b>													
EMC CC Distributions	308,452	-	-	14,314	15,765	7,178	7,462	12,649	10,683	249,042	5,952	6,954	638,451
MC Distributions	83,589	-	-	1,585,686	84,235	92,822	222,538	147,351	169,317	291,958	194,048	193,046	3,064,590
	392,041	-	-	1,600,000	100,000	100,000	230,000	160,000	180,000	541,000	200,000	200,000	3,703,041



**Energy Merchant Investors Master Fund, Ltd.**  
Earnings Breakout

2002

	Gross MC Return	MC Fee to EMC	MC Fee to CPD	First \$400k of Net EMC Return	50% of EMC Net above \$400k	Total MC	Net Return EMC	Net Return CPD	1% of EMC to CPD	Monthly Total
Jan-02	1,298,304.70	62,709.84	240.90	250,839.34	-	1,612,094.77	-	963.59	-	1,613,058.36
Feb-02	197,619.37	5,834.56	33.76	23,338.25	-	226,825.94	-	135.03	-	226,960.97
Mar-02	(1,690,374.62)	(48,260.54)	(285.87)	(193,042.18)	-	(1,931,963.21)	-	(1,143.47)	-	(1,933,106.68)
Apr-02	1,488,686.21	61,157.68	313.41	244,630.72	-	1,794,788.01	-	1,253.63	-	1,796,041.64
May-02	514,247.54	19,270.61	116.31	77,082.45	-	610,716.91	-	465.24	-	611,182
Jun-02	(180,073.33)	(6,095.48)	(39.68)	(24,381.92)	-	(210,590.41)	-	(158.72)	-	(210,749.13)
Jul-02	(2,164,002.80)	(77,965.07)	(494.92)	(311,860.29)	-	(2,554,323.09)	-	(1,979.68)	-	(2,556,302.77)
Aug-02	608,491.49	42,903.13	185.81	171,612.51	-	823,192.94	-	743.24	-	823,936.18
Sep-02	1,818,053.69	102,352.17	522.21	186,776.65	111,875.39	2,219,580.11	111,875.39	2,088.84	279.69	2,333,824.02
Oct-02	1,596,728.94	62,871.37	430.98	-	126,228.80	1,786,260.08	126,228.80	1,723.90	243.03	1,914,455.82
Nov-02	(1,318,954.59)	(36,353.45)	(347.45)	-	(72,889.13)	(1,428,544.62)	(72,889.13)	(1,389.80)	(91.11)	(1,502,914.66)
Dec-02	(410,979.95)	(13,490.31)	(117.20)	-	(27,098.02)	(451,685.47)	(26,998.46)	(468.79)	(33.81)	(479,186.52)
	<u>1,757,746.65</u>	<u>174,934.49</u>	<u>558.26</u>	<u>424,995.52</u>	<u>138,117.04</u>	<u>2,496,351.96</u>	<u>138,216.60</u>	<u>2,233.02</u>	<u>397.80</u>	<u>2,637,199.38</u>

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02/07/03

Accrual Basis

## Energy Merchant Investors Master Fund, Ltd

## Balance Sheet

As of December 31, 2002

	Dec 31, 02
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Bermuda Commercial Bank	154.06
Brokers	
ADM 97533	790,206.72
Advest Total	
Advest Cash	6.37
Total Advest Total	6.37
Fimat USA, Inc.	283.81
Refco, Inc.	3,677,970.29
Stone 14266	1,539,378.85
Total Brokers	6,007,846.04
Total Checking/Savings	6,008,000.10
Total Current Assets	6,008,000.10
Other Assets	
Other Assets	
Organizational Costs	38,000.00
Total Other Assets	38,000.00
Total Other Assets	38,000.00
<b>TOTAL ASSETS</b>	<b>6,046,000.10</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
A/P and Accrued Expenses	
Accrued Admin	881.33
Accrued Audit	22,499.96
Accrued Legal	11,000.00
Total A/P and Accrued Expenses	34,381.29
Total Other Current Liabilities	34,381.29
Total Current Liabilities	34,381.29
Total Liabilities	34,381.29
Equity	
Contributions	2,000,000.00
Distributions	-5,513,041.38
Expense Distributions	-1,119,836.90
Retained Earnings	7,278,538.51
Net Income	3,365,958.58
Total Equity	6,011,618.81
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>6,046,000.10</b>

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412206.92  
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353775

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02/07/03

Accrual Basis

## Energy Merchant Investors Master Fund, Ltd

## Profit &amp; Loss

January through December 2002

	Jan - Dec 02
Ordinary Income/Expense	
Income	
Dividend Income	4,200.00
Interest Income	61,527.68
Option Premiums	3,456,422.40
Realized Gains & Losses	
Bond Gains & Losses	-256,253.94
Futures Gains & Losses	3,255,650.00
Prior Year Unrealized Loss	345,753.94
Stock Gains & Losses	-2,660,557.88
Total Realized Gains & Losses	684,592.12
Unrealized Gains & Losses	
Bond Gains and Losses	0.00
Futures Gains & Losses	-738,010.00
Options Gains & Losses	1,535,800.00
Stock Gains & Losses	0.00
Total Unrealized Gains & Losses	797,790.00
Total Income	5,004,532.20 ✓
Expense	
Bank Charges	218.00 X
Brokerage Commissions	1,555,134.45
Interest Expense	3,947.55 X
Total Expense	1,559,300.00
Net Ordinary Income	3,445,232.20
Other Income/Expense	
Other Expense	
Administration Fees	43,493.66
Amortization Expense	12,000.00
Audit Fees	15,999.96
Fund Expenses	1,780.00
Legal Fees	6,000.00
Total Other Expense	79,273.62
Net Other Income	-79,273.62 0
Net Income	3,365,958.58 ✓

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02/07/03

Accrual Basis

**Energy Merchant Investors Master Fund, Ltd**  
**Trial Balance**  
As of December 31, 2002

	Dec 31, 02	
	Debit	Credit
Bermuda Commercial Bank	154.06	
Brokers:ADM 97533	790,206.72	
Brokers:Advest Total:Advest Accrued Interest	0.00	
Brokers:Advest Total:Advest Bonds	0.00	
Brokers:Advest Total:Advest Cash	6.37	
Brokers:Advest Total:Advest Equities	0.00	
Brokers:Fimat USA, Inc.	283.81	
Brokers:Pioneer	0.00	
Brokers:Refco, Inc.	3,677,970.29	
Brokers:Stone 14268	1,539,378.85	
Cash In Transit	0.00	
Other Assets	0.00	
Other Assets:Organizational Costs	38,000.00	
A/P and Accrued Expenses	0.00	
A/P and Accrued Expenses:Accrued Admin		881.33
A/P and Accrued Expenses:Accrued Audit		22,499.96
A/P and Accrued Expenses:Accrued Legal		11,000.00
Contributions		2,000,000.00
Distributions	5,513,041.38	
Expense Distributions	1,119,836.90	
Retained Earnings		7,278,538.51
Dividend Income		4,200.00
Interest Income		61,527.68
Option Premiums		3,456,422.40
Realized Gains & Losses:Bond Gains & Losses	256,253.94	
Realized Gains & Losses:Futures Gains & Losses		3,255,650.00
Realized Gains & Losses:Prior Year Unrealized Loss		345,753.94
Realized Gains & Losses:Stock Gains & Losses	2,660,557.88	
Unrealized Gains & Losses:Bond Gains and Losses	0.00	
Unrealized Gains & Losses:Futures Gains & Losses	738,010.00	
Unrealized Gains & Losses:Options Gains & Losses		1,535,800.00
Unrealized Gains & Losses:Stock Gains & Losses	0.00	
Bank Charges	218.00	
Brokerage Commissions	1,555,134.45	
Interest Expense	3,947.55	
Administration Fees	43,493.66	
Amortization Expense	12,000.00	
Audit Fees	15,999.96	
Fund Expenses	1,780.00	
Legal Fees	6,000.00	
<b>TOTAL</b>	<b>17,972,273.82</b>	<b>17,972,273.82</b>

## ***MSC Trading, LLC***

369 Florida Hill Road, Ridgefield, Connecticut 06877

**FACSIMILE**

**DATE:** September 21, 2004

**TO:** Charly Curcio

**FAX:** (302) 539-6527

**FROM:** Charles P. Duffy  
(203) 994-1080 Phone  
(203) 438-1185 Facsimile

**Number of pages including cover page: Many**

2002 Tax Return

The information contained in this facsimile message is confidential information and is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the address below via the U.S. Postal Service.

Form <b>1065</b> Department of the Treasury Internal Revenue Service		<b>U.S. Return of Partnership Income</b> For calendar year 2002, or tax year beginning _____, 2002, and ending _____ ▶ See separate instructions.		OMB No. 1545-0099 <b>2002</b>
A Principal business activity <b>TRADER</b>	Name of partnership <b>ENERGY MERCHANT INVESTORS FUND LLC</b>	D Employer identification number <b>13-4146885</b>		
B Principal product or service <b>COMMODITY</b>	Number, street, and room or suite no. If a P.O. box, see page 14 of the instructions. <b>126 EAST 56TH STREET, 33RD FLOOR</b>	E Date business started <b>03/21/2001</b>		
C Business code number <b>525990</b>	City or town, state, and ZIP code <b>NEW YORK NY 10022</b>	F Total assets (see page 14 of the instructions) <b>\$ 6,012,356.</b>		
G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return				
H Check accounting method: (1) <input type="checkbox"/> Cash (2) <input checked="" type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶ _____				
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ <b>3</b>				

Caution: Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1 a Gross receipts or sales	1a		1c
	b Less returns and allowances	1b		
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)			4
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5
Deductions (see page 15 of the instructions for limitations)	6 Net gain (loss) from Form 4797, Part II, line 18			6
	7 Other income (loss) (attach schedule)			7
	8 Total income (loss). Combine lines 3 through 7			8
	9 Salaries and wages (other than to partners) (less employment credits)			9
	10 Guaranteed payments to partners			10
	11 Repairs and maintenance			11
	12 Bad debts			12
	13 Rent			13
	14 Taxes and licenses			14
	15 Interest			15
	16 a Depreciation (if required, attach Form 4562)	16a		
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c
	17 Depletion (Do not deduct oil and gas depletion.)			17
	18 Retirement plans, etc.			18
	19 Employee benefit programs			19
	20 Other deductions (attach schedule)		SEE STATEMENT. 1.	20 94,778.
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20			21 94,778.	
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8			22 -94,778.	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Sign Here	Signature of general partner or limited liability company member <b>As filed</b>		Date <b>4/11/03</b>	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN <b>P00108422</b>
	Firm's name (or yours if self-employed), address, and ZIP code <b>GRANT THORNTON LLP 60 BROAD STREET NEW YORK, NY 10004</b>		Phone no. <b>212-422-1000</b>		

For Paperwork Reduction Act Notice, see separate instructions.

Form 1065 (2002)

Form 1065 (2002) **ENERGY MERCHANT INVESTORS FUND LLC**

13-4146885 Page 2

**Schedule A** Cost of Goods Sold (see page 19 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

**9a** Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3
- (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
- (iii) ☐ Other (specify method used and attach explanation) ▶

**b** Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶ ☐ Yes ☐ No**c** Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐ Yes ☐ No**d** Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No**e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No  
If "Yes," attach explanation.**Schedule B** Other Information

		Yes	No
1	What type of entity is filing this return? Check the applicable box:		
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other ▶		
2	Are any partners in this partnership also partnerships?		X
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4	Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If "Yes," see Designation of Tax Matters Partner below		X
5	Does this partnership meet all three of the following requirements?		
a	The partnership's total receipts for the tax year were less than \$250,000;		
b	The partnership's total assets at the end of the tax year were less than \$600,000; and		
c	Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
	If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1.		X
6	Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See page 20 of the instructions		X
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		X
8	Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter?		X
9	At any time during calendar year 2002, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		X
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See page 20 of the instructions		X
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under Elections Made By the Partnership on page 8 of the instructions.		X
12	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶		

**Designation of Tax Matters Partner** (see page 21 of the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶

Identifying number of TMP ▶

Address of designated TMP ▶

Form 1065 (2002) ENERGY MERCHANT INVESTORS FUND LLC

13-4146885 Page 3

## Schedule K Partners' Shares of Income, Credits, Deductions, etc.

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-94,778.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach schedule)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss): a Interest income	4a	61,531.
	b Ordinary dividends	4b	4,200.
	c Royalty income	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e(1)	
	(2) 28% rate gain (loss) (3) Qualified 5-year gain		
f Other portfolio income (loss) (attach schedule)	4f		
5 Guaranteed payments to partners	5		
6 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6		
7 Other income (loss) (attach schedule)	7	3,383,670.	
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions (attach schedule)	11	
Credits	12a Low-income housing credit		
	(1) From partnerships to which section 42(j)(5) applies	12a(1)	
	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
d Credits related to other rental activities	12d		
13 Other credits	13		
Investment Interest	14a Interest expense on investment debts	14a	3,951.
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b(1)	65,731.
	(2) Investment expenses included on line 10 above	14b(2)	
Self-Employment	15a Net earnings (loss) from self-employment	15a	
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments and tax preference items (attach schedule)	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession		
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive (2) Listed categories (attach schedule) (3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense (2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive (2) Listed categories (attach schedule) (3) General limitation	17f(3)	
g Total foreign taxes (check one): Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	17g		
h Reduction in taxes available for credit (attach schedule)	17h		
Other	18 Section 59(e)(2) expenditures: a Type b Amount	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	3,711,506.
	23 Distributions of property other than money	23	
	24 Other items and amounts required to be reported separately to partners (attach schedule)		



Form 1065 (2002) ENERGY MERCHANT INVESTORS FUND LLC

13-4146885 Page 4

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b						1	3,350,672.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	177,660.		3,173,012.				

Note: Schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			NONE		737.
2a Trade notes and accounts receivable					
b Less allowance for bad debts					
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets (attach schedule)					
7 Mortgage and real estate loans					
8 Other investments (attach schedule)	STMT 2		6,366,252.		6,011,619.
9a Buildings and other depreciable assets					
b Less accumulated depreciation					
10a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)					
12a Intangible assets (amortizable only)	NONE				
b Less accumulated amortization	NONE		NONE		
13 Other assets (attach schedule)					
14 Total assets			6,366,252.		6,012,356.
Liabilities and Capital					
15 Accounts payable					
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach schedule)	STMT 2		21,000.		23,223.
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more					
20 Other liabilities (attach schedule)					
21 Partners' capital accounts			6,345,252.		5,989,133.
22 Total liabilities and capital			6,366,252.		6,012,356.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

1 Net income (loss) per books	3,350,672.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (Reimise):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (Reimise):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (Reimise):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (Reimise):		a Depreciation \$	
a Depreciation \$			
b Travel and entertainment \$		8 Add lines 6 and 7	
5 Add lines 1 through 4	3,350,672.	9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5.	3,350,672.

**Schedule M-2 Analysis of Partners' Capital Accounts**

1 Balance at beginning of year	6,345,252.	6 Distributions: a Cash, STMT 2, ...	3,711,506.
2 Capital contributed: a Cash	4,715.	b Property	
b Property		7 Other decreases (Reimise):	
3 Net income (loss) per books	3,350,672.		
4 Other increases (Reimise):		8 Add lines 6 and 7	3,711,506.
5 Add lines 1 through 4	9,700,639.	9 Balance at end of year. Subtract line 8 from line 5	5,989,133.

Form 1065 (2002)

ENERGY MERCHANT INVESTORS FUND LLC  
FORM 1065 SUPPORTING SCHEDULES

13-4146885

LINE 20 - PAGE 1 - OTHER DEDUCTIONS

AMORTIZATION	12,000.
ADMINISTRATION FEE	55,517.
AUDIT FEE	19,000.
BANK CHARGES	480.
PROFESSIONAL FEE	6,000.
FILING FEE	1,781.
TOTAL OTHER DEDUCTIONS	94,778.

SCHEDULE K - LINE 7 - OTHER INCOME/LOSS

NET SECTION 1256 GAIN (LOSS)	3,383,670.
TOTAL OTHER INCOME/LOSS	3,383,670.

SCHEDULE K - LINE 14B(1) - INVESTMENT INCOME

INTEREST INCOME	61,531.
DIVIDEND INCOME	4,200.
TOTAL INVESTMENT INCOME, SCHEDULE K, LINE 14B(1)	65,731.

ENERGY MERCHANT INVESTORS FUND LLC  
FORM 1065, SUPPORTING SCHEDULES

13-4146885

SCHEDULE L - LINE 8 - OTHER INVESTMENTS

	BEGINNING	ENDING
INVESTMENT IN ENERGY MERCHANT INVESTORS MASTER FUND, LTD.	6,366,252.	6,011,619.
TOTAL OTHER INVESTMENTS	6,366,252.	6,011,619.

SCHEDULE L - LINE 17 - OTHER CURRENT LIABILITIES

	BEGINNING	ENDING
ACCRUED EXPENSES	20,000.	16,223.
DUE TO RELATED PARTY	1,000.	7,000.
TOTAL OTHER CURRENT LIABILITIES	21,000.	23,223.

SCHEDULE M-2 - LINE 2A - CASH CONTRIBUTED DURING YEAR

CASH CONTRIBUTED DURING THE YEAR	4,715.
TOTAL CASH CONTRIBUTED DURING THE YEAR	4,715.

SCHEDULE M-2 - LINE 6A - CASH DISTRIBUTIONS

CASH DISTRIBUTIONS	3,711,506.
TOTAL CASH DISTRIBUTIONS	3,711,506.

**SCHEDULE K-1**  
**(Form 1065)**

 Department of the Treasury  
 Internal Revenue Service

**Partner's Share of Income, Credits, Deductions, etc.**

▶ See separate instructions.

OMB No. 1545-0045

**2002**

For calendar year 2002 or tax year beginning

, 2002, and ending

 Partner's identifying number ▶ **101-58-5760**

 Partnership's identifying number ▶ **13-4146885**

 Partner's name, address, and ZIP code **PARTNER # 1**

Partnership's name, address, and ZIP code

**MICHAEL CORNISH**  
**369 FLORIDA HILL ROAD**  
**RIDGEFIELD, CT 06877**
**ENERGY MERCHANT INVESTORS FUND LLC**  
**126 EAST 56TH STREET, 33RD FLOOR**  
**NEW YORK, NY 10022**

 A This partner is a ☐ general partner ☐ limited partner

☒ limited liability company member

 B What type of entity is this partner? ▶ **INDIVIDUAL**

 C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's percentage of: (i) Before change or termination (ii) End of year

 Profit sharing ..... **%VARIOUS** %

 Loss sharing ..... **%VARIOUS** %

 Ownership of capital ..... **%VARIOUS** %

 E IRS Center where partnership filed return: **CINCINNATI**

F Partner's share of liabilities (see instructions):

Nonrecourse .....

Qualified nonrecourse financing .....

Other .....

G Tax shelter registration number ▶

 H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ..... ☐

 I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
<b>5,058,262.</b>		<b>3,170,360.</b>	<b>( 3,067,882.)</b>	<b>5,160,740.</b>

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	<b>1 -89,678.</b>	See page 6 of Partner's instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	<b>2</b>	
	3 Net income (loss) from other rental activities	<b>3</b>	
	4 Portfolio income (loss):		
	a Interest	<b>4a 58,220.</b>	Sch. B, Part I, line 1
	b Ordinary dividends	<b>4b 3,974.</b>	Sch. B, Part II, line 5
	c Royalties	<b>4c</b>	Sch. E, Part I, line 4
	d Net short-term capital gain (loss)	<b>4d</b>	Sch. D, line 5, col. (f)
	e (1) Net long-term capital gain (loss)	<b>4e(1)</b>	Sch. D, line 12, col. (f)
	(2) 28% rate gain (loss)	<b>4e(2)</b>	Sch. D, line 12, col. (g)
	(3) Qualified 5-year gain	<b>4e(3)</b>	Line 5 of worksheet for Sch. D, line 23
Deductions	f Other portfolio income (loss) (attach schedule)	<b>4f</b>	Enter on applicable line of your return.
	5 Guaranteed payments to partner	<b>5</b>	See page 6 of Partner's instructions for Schedule K-1 (Form 1065).
	6 Net section 1231 gain (loss) (other than due to casualty or theft)	<b>6</b>	
	7 Other income (loss) (attach schedule) <b>STMT. 1.</b>	<b>7 3,201,582.</b>	
	8 Charitable contributions (see instructions) (attach schedule)	<b>8</b>	
	9 Section 179 expense deduction	<b>9</b>	See pages 7 and 8 of Partner's instructions for Schedule K-1 (Form 1065).
	10 Deductions related to portfolio income (attach schedule)	<b>10</b>	
	11 Other deductions (attach schedule)	<b>11</b>	
Credits	12a Low-income housing credit:		Form 8586, line 5
	(1) From section 42(j)(5) partnerships	<b>12a(1)</b>	
	(2) Other than on line 12a(1)	<b>12a(2)</b>	See page 8 of Partner's instructions for Schedule K-1 (Form 1065).
	b Qualified rehabilitation expenditures related to rental real estate activities	<b>12b</b>	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	<b>12c</b>	
	d Credits related to other rental activities	<b>12d</b>	
	13 Other credits	<b>13</b>	

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

Schedule K-1 (Form 1065) 2002 PARTNER # 1 MICHAEL CORNISH

Page 2

	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14 a Interest expense on investment debts . . . . .	14a 3,738.	Form 4952, line 1 See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f . . . . .	14b(1) 62,194.	
	(2) Investment expenses included on line 10 . . . . .	14b(2)	
Self-employment	15 a Net earnings (loss) from self-employment . . . . .	15a	Sch. SE, Section A or B See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	b Gross farming or fishing income . . . . .	15b	
	c Gross nonfarm income . . . . .	15c	
Adjustments and Tax Preference Items	16 a Depreciation adjustment on property placed in service after 1986 . . . . .	16a	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss . . . . .	16b	
	c Depletion (other than oil and gas) . . . . .	16c	
	d (1) Gross income from oil, gas, and geothermal properties . . . . .	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties . . . . .	16d(2)	
	e Other adjustments and tax preference items (attach schedule) . . . . .	16e	
Foreign Taxes	17 a Name of foreign country or U.S. possession ▶ . . . . .	17a	Form 1116, Part I
	b Gross income from all sources . . . . .	17b	
	c Gross income sourced at partner level . . . . .	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive . . . . .	17d(1)	
	(2) Listed categories (attach schedule) . . . . .	17d(2)	
	(3) General limitation . . . . .	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense . . . . .	17e(1)	
	(2) Other . . . . .	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive . . . . .	17f(1)	
(2) Listed categories (attach schedule) . . . . .	17f(2)		
(3) General limitation . . . . .	17f(3)		
g Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued . . . . .	17g	Form 1116, Part II Form 1116, line 12	
h Reduction in taxes available for credit (attach schedule) . . . . .	17h		
Other	18 Section 59(e)(2) expenditures: a Type ▶ . . . . .	18a	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount . . . . .	18b	
	19 Tax-exempt interest income . . . . .	19	Form 1040, line 8b
	20 Other tax-exempt income . . . . .	20	
	21 Nondeductible expenses . . . . .	21	See pages 9 and 10 of Partner's Instructions for Schedule K-1 (Form 1065).
	22 Distributions of money (cash and marketable securities) . . . . .	22 3,067,882.	
	23 Distributions of property other than money . . . . .	23	
	24 Recapture of low-income housing credit:		Form 8811, line 8
a From section 42(j)(5) partnerships . . . . .	24a		
b Other than on line 24a . . . . .	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

ENERGY MERCHANT INVESTORS FUND LLC

13-4146885

SCH K-1 SUPPORTING SCHEDULES PARTNER #

1 MICHAEL CORNISH

ITEM J, COLUMN(C) - RECONCILIATION OF INCOME

INCOME (LOSS) FROM SCH. K-1, LINES 1 - 7

3,174,098.

LESS: DEDUCTIONS FROM SCH. K-1, LINES 8 - 11, 14A, 17G &amp; 18B

3,738.

TOTAL INCOME PER SCHEDULE K-1

3,170,360.

TOTAL INCOME PER ITEM J, COLUMN(C)

3,170,360.

ITEM J, COLUMN(D) - WITHDRAWALS AND DISTRIBUTIONSCASH DISTRIBUTIONS

3,067,882.

TOTAL WITHDRAWALS AND DISTRIBUTIONS

3,067,882.

LINE 7 - OTHER INCOME/LOSS

NET SECTION 1256 GAIN/LOSS

3,201,582.

TOTAL OTHER INCOME

3,201,582.

Schedule K-1 (Form 1065) 2002 **PARTNER # 2 EMC CAPITAL CORPORATION**Page **2**

	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	<b>14 a</b> Interest expense on investment debts . . . . .	<b>14a</b> 210.	Form 4952, line 1 See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	<b>b (1)</b> Investment income included on lines 4a, 4b, 4c, and 4f . . . . .	<b>14b(1)</b> 3,485.	
	<b>(2)</b> Investment expenses included on line 10 . . . . .	<b>14b(2)</b>	
Self-employment	<b>15 a</b> Net earnings (loss) from self-employment . . . . .	<b>15a</b>	Sch. SE, Section A or B See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	<b>b</b> Gross farming or fishing income . . . . .	<b>15b</b>	
	<b>c</b> Gross nonfarm income . . . . .	<b>15c</b>	
Adjustments and Tax Preference Items	<b>16 a</b> Depreciation adjustment on property placed in service after 1986 . . . . .	<b>16a</b>	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	<b>b</b> Adjusted gain or loss . . . . .	<b>16b</b>	
	<b>c</b> Depletion (other than oil and gas) . . . . .	<b>16c</b>	
	<b>d (1)</b> Gross income from oil, gas, and geothermal properties . . . . .	<b>16d(1)</b>	
	<b>(2)</b> Deductions allocable to oil, gas, and geothermal properties . . . . .	<b>16d(2)</b>	
	<b>e</b> Other adjustments and tax preference items (attach schedule) . . . . .	<b>16e</b>	
Foreign Taxes	<b>17 a</b> Name of foreign country or U.S. possession ▶ . . . . .	<b>17a</b>	Form 1116, Part I
	<b>b</b> Gross income from all sources . . . . .	<b>17b</b>	
	<b>c</b> Gross income sourced at partner level . . . . .	<b>17c</b>	
	<b>d</b> Foreign gross income sourced at partnership level:		
	<b>(1)</b> Passive . . . . .	<b>17d(1)</b>	
	<b>(2)</b> Listed categories (attach schedule) . . . . .	<b>17d(2)</b>	
	<b>(3)</b> General limitation . . . . .	<b>17d(3)</b>	
	<b>e</b> Deductions allocated and apportioned at partner level:		
	<b>(1)</b> Interest expense . . . . .	<b>17e(1)</b>	
	<b>(2)</b> Other . . . . .	<b>17e(2)</b>	
	<b>f</b> Deductions allocated and apportioned at partnership level to foreign source income:		
	<b>(1)</b> Passive . . . . .	<b>17f(1)</b>	
<b>(2)</b> Listed categories (attach schedule) . . . . .	<b>17f(2)</b>		
<b>(3)</b> General limitation . . . . .	<b>17f(3)</b>		
	<b>g</b> Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued . . . . .	<b>17g</b>	Form 1116, Part II Form 1116, line 12
	<b>h</b> Reduction in taxes available for credit (attach schedule) . . . . .	<b>17h</b>	
Other	<b>18</b> Section 59(e)(2) expenditures: a Type ▶ . . . . .	<b>18a</b>	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	<b>b</b> Amount . . . . .	<b>18b</b>	
	<b>19</b> Tax-exempt interest income . . . . .	<b>19</b>	Form 1040, line 8b
	<b>20</b> Other tax-exempt income . . . . .	<b>20</b>	
	<b>21</b> Nondeductible expenses . . . . .	<b>21</b>	See pages 9 and 10 of Partner's Instructions for Schedule K-1 (Form 1065).
	<b>22</b> Distributions of money (cash and marketable securities) . . . . .	<b>22</b> 643,624.	
	<b>23</b> Distributions of property other than money . . . . .	<b>23</b>	
	<b>24</b> Recapture of low-income housing credit:		Form 8611, line 8
	<b>a</b> From section 42(j)(5) partnerships . . . . .	<b>24a</b>	
	<b>b</b> Other than on line 24a . . . . .	<b>24b</b>	
Supplemental Information	<b>25</b> Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

ENERGY MERCHANT INVESTORS FUND LLC  
SCH K-1 SUPPORTING SCHEDULES PARTNER #

13-4146885

2 EMC CAPITAL CORPORATION

---

ITEM J, COLUMN(C) - RECONCILIATION OF INCOME

---

INCOME (LOSS) FROM SCH. K-1, LINES 1 - 7	177,870.
LESS: DEDUCTIONS FROM SCH. K-1, LINES 8 - 11, 14A, 17G & 18B	210.
	-----
TOTAL INCOME PER SCHEDULE K-1	177,660.
	-----
TOTAL INCOME PER ITEM J, COLUMN(C)	177,660.
	=====

---

ITEM J, COLUMN(D) - WITHDRAWALS AND DISTRIBUTIONS

---

CASH DISTRIBUTIONS	643,624.
	-----
TOTAL WITHDRAWALS AND DISTRIBUTIONS	643,624.
	=====

---

LINE 7 - OTHER INCOME/LOSS

---

NET SECTION 1256 GAIN/LOSS	179,410.
	-----
TOTAL OTHER INCOME	179,410.
	=====



SCHEDULE K-1  
(Form 1065)Department of the Treasury  
Internal Revenue Service

## Partner's Share of Income, Credits, Deductions, etc.

▶ See separate instructions.

OMB No. 1545-0096

2002

For calendar year 2002 or tax year beginning , 2002, and ending

Partner's identifying number ▶ 097-58-8392

Partner's name, address, and ZIP code PARTNER # 3  
CHARLES P. DUFFY  
22 BOUTONVILLE ROAD  
SOUTH SALEM, NY 10590

Partnership's identifying number ▶ 13-4146885

Partnership's name, address, and ZIP code  
ENERGY MERCHANT INVESTORS FUND LLC  
126 EAST 56TH STREET, 33RD FLOOR  
NEW YORK, NY 10022A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? ▶ INDIVIDUAL

C Is this partner a ☒ domestic or a ☐ foreign partner?D Enter partner's percentage of:  
Profit sharing ..... %VARIOUS %  
Loss sharing ..... %VARIOUS %  
Ownership of capital ..... %VARIOUS %  
(i) Before change or termination (ii) End of year

E IRS Center where partnership filed return: CINCINNATI

F Partner's share of liabilities (see instructions):

Nonrecourse .....

Qualified nonrecourse financing .....

Other .....

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

## J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
	4,715.	2,652.	( )	7,367.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1 -75.	See page 6 of Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest	4a 49.	Sch. B, Part I, line 1
	b Ordinary dividends	4b 3.	Sch. B, Part II, line 5
	c Royalties	4c	Sch. E, Part I, line 4
	d Net short-term capital gain (loss)	4d	Sch. D, line 5, col. (f)
	e (1) Net long-term capital gain (loss)	4e(1)	Sch. D, line 12, col. (f)
	(2) 28% rate gain (loss)	4e(2)	Sch. D, line 12, col. (g)
	(3) Qualified 5-year gain	4e(3)	Line 5 of worksheet for Sch. D, line 29
Deductions	f Other portfolio income (loss) (attach schedule)	4f	Enter on applicable line of your return.
	5 Guaranteed payments to partner	5	See page 6 of Partner's Instructions for Schedule K-1 (Form 1065).
	6 Net section 1231 gain (loss) (other than due to casualty or theft)	6	
	7 Other income (loss) (attach schedule) STMT. 1.	7 2,678.	
	8 Charitable contributions (see instructions) (attach schedule)	8	
	9 Section 179 expense deduction	9	See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	10 Deductions related to portfolio income (attach schedule)	10	
	11 Other deductions (attach schedule)	11	
	12a Low-income housing credit		
	(1) From section 42(j)(5) partnerships	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1)	12a(2)	
Credits	b Qualified rehabilitation expenditures related to rental real estate activities	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	13 Other credits	13	

For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 2002

ENERGY MERCHANT INVESTORS FUND LLC  
SCH K-1 SUPPORTING SCHEDULES PARTNER #

13-4146885

3 CHARLES P. DUFFY

ITEM J, COLUMN(B) - CAPITAL CONTRIBUTIONS

CASH CONTRIBUTIONS

4,715.

TOTAL CAPITAL CONTRIBUTIONS

4,715.

ITEM J, COLUMN(C) - RECONCILIATION OF INCOME

INCOME (LOSS) FROM SCH. K-1, LINES 1 - 7

2,655.

LESS: DEDUCTIONS FROM SCH. K-1, LINES 8 - 11, 14A, 17G & 18B

3.

TOTAL INCOME PER SCHEDULE K-1

2,652.

TOTAL INCOME PER ITEM J, COLUMN(C)

2,652.

LINE 7 - OTHER INCOME/LOSS

NET SECTION 1256 GAIN/LOSS

2,678.

TOTAL OTHER INCOME

2,678.

### Schedule K-1, Item J - Analysis of Partners Capital Accounts

[illegible]

Form **4562****Depreciation and Amortization**  
(Including Information on Listed Property)

OMB No. 1545-0172

**2002**Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

▶ Attach to your tax return.

Attachment  
Sequence No. 67

Name(s) shown on return

Identifying number

**ENERGY MERCHANT INVESTORS FUND LLC****13-4146885**

Business or activity to which this form relates

**ENERGY MERCHANT INVESTORS FUND LLC****Part I Election To Expense Certain Tangible Property Under Section 179***Note: If you have any listed property, complete Part V before you complete Part I.*

1	Maximum amount. See page 2 of the instructions for a higher limit for certain businesses	1	24,000
2	Total cost of section 179 property placed in service (see page 2 of the instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 2 of the instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2001 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2003. Add lines 9 and 10, less line 12	13	

*Note: Do not use Part II or Part III below for listed property. Instead, use Part V.***Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)**

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see page 3 of the instructions)	14	
15	Property subject to section 168(f)(1) election (see page 4 of the instructions)	15	
16	Other depreciation (including ACRS) (see page 4 of the instructions)	16	

**Part III MACRS Depreciation (Do not include listed property.) (See page 4 of the instructions.)****Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2002	17	
18	If you are electing under section 168(f)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B - Assets Placed in Service During 2002 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

**Section C - Assets Placed in Service During 2002 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

**Part IV Summary (see page 6 of the instructions)**

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see Instr.	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

ENERGY MERCHANT INVESTORS FUND LLC

13-4146885

Form 4562 (2002)

Page 2

**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See page 8 of the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed?		Yes	No	24b If "Yes," is the evidence written?		Yes	No
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see page 7 of the instructions)						25	
26 Property used more than 50% in a qualified business use (see page 7 of the instructions):		%					
		%					
		%					
27 Property used 50% or less in a qualified business use (see page 7 of the instructions):		%			SL -		
		%			SL -		
		%			SL -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1						29	

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (do not include commuting miles - see page 2 of the instructions)						
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven						
33 Total miles driven during the year. Add lines 30 through 32						
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?						
36 Is another vehicle available for personal use?						

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 8 of the instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 8 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See page 9 of the instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2002 tax year (see page 9 of the instructions):					
43 Amortization of costs that began before your 2002 tax year				43	12,000
44 Total. Add amounts in column (f). See page 9 of the instructions for where to report				44	12,000

Sep 21 04 03:09p

MS C Trading

(203) 438-1185

**P. 8**

[illegible]

**is Retired**

Form **1065****U.S. Return of Partnership Income**

OMB No. 1545-0099

**2003**Department of the Treasury  
Internal Revenue Service

For calendar year 2003, or tax year beginning , and ending

▶ See separate instructions.

<b>A</b> Principal business activity  <b>HEDGE FUND</b>	Use the IRS label. Otherwise, print or type.	Name of partnership  <b>ENERGY MERCHANT INVESTORS FUND, LLC</b>	<b>D</b> Employer identification number  <b>13-4146885</b>
<b>B</b> Principal product or service <b>COMMODITIES</b>		Number, street, and room or suite no. If a P.O. box, see page 14 of the instructions. <b>369 FLORIDA HILL RD</b>	<b>E</b> Date business started <b>1/01/01</b>
<b>C</b> Business code number <b>525990</b>		City or town, state, and ZIP code <b>RIDGEFIELD CT 06877</b>	<b>F</b> Total assets (see page 14 of the instructions) <b>\$ 0</b>

**G** Check applicable boxes: (1) ☐ Initial return (2) ☒ Final return (3) ☐ Name change (4) ☒ Address change (5) ☐ Amended return**H** Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) ▶**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ **3****Caution:** Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>Income</b>	<b>1a</b> Gross receipts or sales	<b>1a</b>		
	<b>b</b> Less returns and allowances	<b>1b</b>		<b>1c</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8)			<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b>
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach sch.)			<b>4</b>
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040))			<b>5</b>
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 18			<b>6</b>
	<b>7</b> Other income (loss) (attach schedule)			<b>7</b>
<b>8</b> Total income (loss). Combine lines 3 through 7			<b>8</b>	
<b>Deductions</b> see page 15 of the instructions for limitations	<b>9</b> Salaries and wages (other than to partners) (less employment credits)			<b>9</b>
	<b>10</b> Guaranteed payments to partners			<b>10</b>
	<b>11</b> Repairs and maintenance			<b>11</b>
	<b>12</b> Bad debts			<b>12</b>
	<b>13</b> Rent			<b>13</b>
	<b>14</b> Taxes and licenses			<b>14</b>
	<b>15</b> Interest			<b>15</b>
	<b>16a</b> Depreciation (if required, attach Form 4562)	<b>16a</b>		
	<b>b</b> Less depreciation reported on Schedule A and elsewhere on return	<b>16b</b>		<b>16c</b>
	<b>17</b> Depletion (Do not deduct oil and gas depletion.)			<b>17</b>
	<b>18</b> Retirement plans, etc.			<b>18</b>
	<b>19</b> Employee benefit programs			<b>19</b>
	<b>20</b> Other deductions (attach schedule)			<b>20</b>
<b>21</b> Total deductions. Add the amounts shown in the far right column for lines 9 through 20			<b>21</b>	
<b>22</b> Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8			<b>22</b>	

**Ignore**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

**CLIENT'S COPY**May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

Signature of general partner or limited liability company member

Date

**Preparer's Information Only**

Preparer's signature	Date	Check if self-employed	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	<b>1/25/06</b>	<input type="checkbox"/>	<b>P00319104</b>
<b>JEFFERSON, URIAN, DOANE &amp; STERNER, P.A.</b>	<b>19970-0477</b>		<b>EIN ▶ 51-0212284</b>
<b>PO BOX 477</b>			<b>Phone no. 302-539-5543</b>
<b>OCEAN VIEW, DE</b>			

Form 1065 (2003) **ENERGY MERCHANT INVESTORS FUND, LLC13-4146885**

Page 2

**Schedule A Cost of Goods Sold** (see page 18 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶ ☐ Yes ☐ No

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐ Yes ☐ No

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

**Schedule B Other Information**

1	What type of entity is filing this return? Check the applicable box:	Yes	No
a	<input type="checkbox"/> Domestic general partnership		
b	<input type="checkbox"/> Domestic limited partnership		
c	<input checked="" type="checkbox"/> Domestic limited liability company		
d	<input type="checkbox"/> Domestic limited liability partnership		
e	<input type="checkbox"/> Foreign partnership		
f	<input type="checkbox"/> Other ▶		
2	Are any partners in this partnership also partnerships?		X
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4	Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If "Yes," see <b>Designation of Tax Matters Partner</b> below		X
5	Does this partnership meet all three of the following requirements? a The partnership's total receipts for the tax year were less than \$250,000; b The partnership's total assets at the end of the tax year were less than \$600,000; and c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1	X	
6	Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See page 20 of the instructions		X
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		X
8	Has this partnership filed, or is it required to file, <b>Form 8264, Application for Registration of a Tax Shelter</b> ?		X
9	At any time during calendar year 2003, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		X
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See page 20 of the instructions		X
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <b>Elections Made By the Partnership</b> on page 9 of the instructions		X
12	Enter the number of <b>Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships</b> , attached to this return ▶		

**Designation of Tax Matters Partner** (see page 20 of the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶	<b>MICHAEL S CORNISH</b>	Identifying number of TMP ▶	<b>101-58-5760</b>
Address of designated TMP ▶	<b>369 FLORIDA HILL RD</b>		
	<b>RIDGEFIELD CT 06877</b>		



**Schedule K Partners' Shares of Income, Credits, Deductions, etc.**

	(a) Distributive share items	(b) Total amount
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2
	3a Gross income from other rental activities	3a
	b Expenses from other rental activities (attach schedule)	3b
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c
	4 Portfolio income (loss) (attach Schedule D (Form 1065) for lines 4d and 4e):	
	a Interest income	4a 148,025
	b Dividends: (1) Qualified dividends (2) Total ordinary dividends	4b(2)
	c Royalty income	4c
	d Net short-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4d(2)
	e Net long-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4e(2)
	f Other portfolio income (loss) (attach schedule)	4f
	5 Guaranteed payments to partners	5
	6a Net section 1231 gain (loss) (post-May 5, 2003) (attach Form 4797)	6a
b Net section 1231 gain (loss) (entire year) (attach Form 4797)	6b	
7 Other income (loss) (attach schedule) SEE STMT 1	7 60,245,248	
Deductions	8 Charitable contributions (attach schedule)	8
	9 Section 179 expense deduction (attach Form 4562)	9
	10 Deductions related to portfolio income (itemize) SEE STMT 2	10 77,623
11 Other deductions (attach schedule)	11	
Credits	12a Low-income housing credit: (1) From partnerships to which section 42(j)(5) applies (2) Other than on line 12a(1)	12a(1) 12a(2)
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c
	d Credits related to other rental activities	12d
	13 Other credits	13
Investment Interest	14a Interest expense on investment debts	14a 16,783
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above (2) Investment expenses included on line 10 above	14b(1) 148,025 14b(2)
Self- Employ- ment	15a Net earnings (loss) from self-employment	15a
	b Gross farming or fishing income	15b
	c Gross nonfarm income	15c
Adjust- ments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a
	b Adjusted gain or loss	16b
	c Depletion (other than oil and gas)	16c
	d (1) Gross income from oil, gas, and geothermal properties (2) Deductions allocable to oil, gas, and geothermal properties	16d(1) 16d(2)
	e Other adjustments and tax preference items (attach schedule)	16e
Foreign Taxes	17a Name of foreign country or U.S. possession	
	b Gross income from all sources	17b
	c Gross income sourced at partner level	17c
	d Foreign gross income sourced at partnership level: (1) Passive (2) Listed categories (attach schedule) (3) General limitation	17d(3)
	e Deductions allocated and apportioned at partner level: (1) Interest expense (2) Other	17e(2)
	f Deductions allocated & apptn. at ptrnshp. level to foreign source income: (1) Passive (2) Listed categories (attach schedule) (3) General limitation	17f(3)
	g Total foreign taxes (check one): Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	17g
	h Reduction in taxes available for credit (attach schedule)	17h
Other	18 Section 59(e)(2) expenditures: a Type b Amount	18b
	19 Tax-exempt interest income	19
	20 Other tax-exempt income	20
	21 Nondeductible expenses	21
	22 Distributions of money (cash and marketable securities)	22 66,288,000
	23 Distributions of property other than money	23
	24 Other items and amounts required to be reported separately to partners (attach schedule)	

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b						1	<b>60,298,867</b>
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners	<b>2,288,645</b>	<b>58,010,222</b>					

**Note:** Schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			<b>737</b>		
2a Trade notes and accounts receivable					
b Less allowance for bad debts					
3 Inventories					
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets (attach schedule)					
7 Mortgage and real estate loans					
8 Other investments (attach schedule) <b>SEE STMT 3</b>			<b>6,011,619</b>		
9a Buildings and other depreciable assets					
b Less accumulated depreciation					
10a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)					
12a Intangible assets (amortizable only)					
b Less accumulated amortization					
13 Other assets (attach schedule)					
14 <b>Total assets</b>			<b>6,012,356</b>		
<b>Liabilities and Capital</b>					
15 Accounts payable					
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach schedule) <b>SEE STMT 4</b>			<b>23,223</b>		
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more					
20 Other liabilities (attach schedule)					
21 Partners' capital accounts			<b>5,989,133</b>		
22 <b>Total liabilities and capital</b>			<b>6,012,356</b>		

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return		
1 Net income (loss) per books	<b>60,298,867</b>	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):
2 Income included on Sch. K, ln. 1 through 4, 6b, and 7, not recorded on books this year (itemize):		a Tax-exempt interest \$
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation \$
a Depreciation \$		8 Add lines 6 and 7
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5
5 Add lines 1 through 4	<b>60,298,867</b>	
		<b>60,298,867</b>

Schedule M-2 Analysis of Partners' Capital Accounts		
1 Balance at beginning of year	<b>5,989,133</b>	6 Distributions: a Cash
2 Capital contributed: a Cash		b Property
b Property		7 Other decreases (itemize):
3 Net income (loss) per books	<b>60,298,867</b>	8 Add lines 6 and 7
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5
5 Add lines 1 through 4	<b>66,288,000</b>	
		<b>66,288,000</b>
		<b>0</b>

**SCHEDULE K-1**  
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**

See separate instructions

6521

OMB No. 1545-0099

**2003**Dept. of the Treasury  
Internal Revenue Service  
Partner #: 1

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 101-58-5760

FOR OFFICIAL USE ONLY

Partner's name, address, and ZIP code:

MICHAEL S CORNISH

369 FLORIDA HILL RD

RIDGEFIELD CT 06877

Partnership's identifying number: 13-4146885

Partnership's name, address, and ZIP code:

ENERGY MERCHANT INVESTORS FUND, LLC

369 FLORIDA HILL RD

RIDGEFIELD CT 06877

- A** This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member
- B** What type of entity is this partner? **INDIVIDUAL**
- C** Is this partner a ☒ domestic or a ☐ foreign partner?
- |   |                                     |                     |
|---|-------------------------------------|---------------------|
|   | (i) Before change<br>or termination | (ii) End of<br>year |
| <b>D</b> Enter partner's percentage of: |                                     |                     |
| Profit sharing .....                    | 96.100200%                          |                     |
| Loss sharing .....                      | 96.100200%                          |                     |
| Ownership of capital ....               | 96.100200%                          |                     |
- E** IRS Center where partnership filed return:  
CINCINNATI, OH 45999-0011

- F** Partner's share of liabilities (see instructions):
- |                                       |          |
|---------------------------------------|----------|
| Nonrecourse .....                     | \$ ..... |
| Qualified nonrecourse financing ..... | \$ ..... |
| Other .....                           | \$ ..... |

**G** Tax shelter registration number.....**H** Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)..... ☐**I** Check applicable boxes: (1) ☒ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
5,160,739		57,947,330	63,108,069	0

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss):</b>		
<b>4</b> Portfolio income (loss):		
<b>a</b> Interest income .....	<b>4a</b> 142,253	Form 1040, line 8a
<b>7</b> Other income (loss) (attach schedule) ..... <b>SEE STMT</b>	<b>7</b> 57,895,805	See pgs. 6 & 7 of Partner's Instr. for Sch. K-1
<b>Deductions:</b>		
<b>10</b> Deductions related to portfolio inc. (att. sch.) ..... <b>SEE STMT</b>	<b>10</b> 74,598	See pg. 8 of Partner's Instr. for Sch. K-1
<b>Investment Interest:</b>		
<b>14a</b> Interest expense on investment debts .....	<b>14a</b> 16,130	Form 4952, line 1
<b>14b (1)</b> Investment income included on lines 4a, 4b(2), 4c, and 4f .....	<b>14b(1)</b> 142,253	See pg. 9 of Partner's Instr. for Sch. K-1
<b>Other:</b>		
<b>22</b> Distributions of money (cash and marketable securities) .....	<b>22</b> 63,108,069	See pg. 10 of Partner's Instr. for Sch. K-1

**Schedule K-1, Line 7 - Other Income**

DESCRIPTION

SECTION 1256 CONTRACTS

AMOUNT

\$ 57,895,805

Partner #: 1

MICHAEL S CORNISH

101-58-5760

6522

Schedule K-1 (Form 1065) 2003

ENERGY MERCHANT INVESTORS FUND, LLC

13-4146885

Page 2

**Schedule K-1, Line 10 - Deductions Related to Portfolio Income**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
BANK CHARGES	\$ 121
DIRECT FUND EXPENSES	74,477
TOTAL	<u>\$ 74,598</u>

**SCHEDULE K-1**  
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**

See separate instructions

6521

OMB No. 1545-0099

**2003**Dept. of the Treasury  
Internal Revenue Service  
Partner #: 2

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 097-58-8392

Partner's name, address, and ZIP code:

CHARLES P DUFFY  
22 BOUTONVILLE RD

SOUTH SALEM NY 10590

Partnership's identifying number: 13-4146885

Partnership's name, address, and ZIP code:

ENERGY MERCHANT INVESTORS FUND, LLC  
369 FLORIDA HILL RD  
RIDGEFIELD CT 06877**FOR OFFICIAL USE ONLY**A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company memberB What type of entity is this partner? **INDIVIDUAL**C Is this partner a ☒ domestic or a ☐ foreign partner?

(i) Before change or termination (ii) End of year

D Enter partner's percentage of:

Profit sharing .....% 0.104300%  
Loss sharing .....% 0.104300%  
Ownership of capital ....% 0.104300%E IRS Center where partnership filed return:  
CINCINNATI, OH 45999-0011

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$ .....  
Qualified nonrecourse financing ..... \$ .....  
Other ..... \$ .....

G Tax shelter registration number.....

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☒ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
7,367		62,892	70,259	0

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss):</b>		
4 Portfolio income (loss):		
a Interest income .....	4a 154	Form 1040, line 8a
7 Other income (loss) (attach schedule) ..... SEE STMT	7 62,835	See pgs. 6 & 7 of Partner's Instr. for Sch. K-1
<b>Deductions:</b>		
10 Deductions related to portfolio inc. (att. sch.) ..... SEE STMT	10 80	See pg. 8 of Partner's Instr. for Sch. K-1
<b>Investment Interest:</b>		
14a Interest expense on investment debts .....	14a 17	Form 4952, line 1
14b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f .....	14b(1) 154	See pg. 9 of Partner's Instr. for Sch. K-1
<b>Other:</b>		
22 Distributions of money (cash and marketable securities) .....	22 70,259	See pg. 10 of Partner's Instr. for Sch. K-1

**Schedule K-1, Line 7 - Other Income**

DESCRIPTION	AMOUNT
SECTION 1256 CONTRACTS	\$ 62,835

**Schedule K-1, Line 10 - Deductions Related to Portfolio Income**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
DIRECT FUND EXPENSES	\$ 80

**SCHEDULE K-1**  
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**

See separate instructions

6521

OMB No. 1545-0099

**2003**Dept. of the Treasury  
Internal Revenue Service  
Partner #: 3

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 51-0383350

FOR OFFICIAL USE ONLY

Partner's name, address, and ZIP code:

EMC CAPITAL CORP

126 EAST 56TH ST, 33RD FLOOR

NEW YORK

NY 10022

Partnership's identifying number: 13-4146885

Partnership's name, address, and ZIP code:

ENERGY MERCHANT INVESTORS FUND, LLC

369 FLORIDA HILL RD

RIDGEFIELD

CT 06877

A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? CORPORATION

C Is this partner a ☒ domestic or a ☐ foreign partner?(i) Before change (ii) End of  
or termination year

D Enter partner's percentage of:

Profit sharing .....% 3.795500%

Loss sharing .....% 3.795500%

Ownership of capital ....% 3.795500%

E IRS Center where partnership filed return:

CINCINNATI, OH 45999-0011

F Partner's share of liabilities (see instructions):

Nonrecourse ..... \$ .....

Qualified nonrecourse financing ..... \$ .....

Other ..... \$ .....

G Tax shelter registration number.....

H Check here if this partnership is a publicly traded  
partnership as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☒ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
821,027		2,288,645	3,109,672	0

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss):</b>		
4 Portfolio income (loss):		
a Interest income .....	4a 5,618	Form 1040, line 8a
7 Other income (loss) (attach schedule) ..... SEE STMT	7 2,286,608	See pgs. 6 & 7 of Partner's Instr. for Sch. K-1
<b>Deductions:</b>		
10 Deductions related to portfolio inc. (att. sch.) ..... SEE STMT	10 2,945	See pg. 8 of Partner's Instr. for Sch. K-1
<b>Investment Interest:</b>		
14a Interest expense on investment debts .....	14a 636	Form 4952, line 1
14b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f .....	14b(1) 5,618	See pg. 9 of Partner's Instr. for Sch. K-1
<b>Other:</b>		
22 Distributions of money (cash and marketable securities) .....	22 3,109,672	See pg. 10 of Partner's Instr. for Sch. K-1

**Schedule K-1, Line 7 - Other Income**

DESCRIPTION	AMOUNT
SECTION 1256 CONTRACTS	\$ 2,286,608

**Schedule K-1, Line 10 - Deductions Related to Portfolio Income**

DESCRIPTION	AMOUNT
BANK CHARGES	\$ 4
DIRECT FUND EXPENSES	2,941
TOTAL	<u>\$ 2,945</u>



Form **6781****Gains and Losses From Section 1256  
Contracts and Straddles**

OMB No. 1545-0644

**2003**Attachment  
Sequence No. **82**Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on tax return

**ENERGY MERCHANT INVESTORS FUND, LLC**

Identifying number

**13-4146885**

Check all applicable boxes (see instructions).

**A**

Mixed straddle election

**C**

Mixed straddle account election

**B**

Straddle-by-straddle identification election

**D**

Net section 1256 contracts loss election

**Part I Section 1256 Contracts Marked to Market**

(a) Identification of account		(b) Gain or (loss) for entire year	(c) Post-May 5 gain or (loss)
<b>1 EMIMF, LTD</b>		<b>60,245,248</b>	
<b>2</b> Net gain or (loss). Add the amounts on line 1 in columns (b) and (c)		<b>60,245,248</b>	
<b>3</b> Form 1099-B adjustments. See instructions and attach schedule			
<b>4</b> Combine lines 2 and 3, column (b)		<b>60,245,248</b>	
<b>5</b> Combine lines 2 and 3, column (c)			
<b>Note:</b> If line 4 shows a net gain, skip line 6 and enter the line 4 and 5 amounts on line 7. Partnerships and S corporations, see instructions.			
<b>6</b> If you have a net section 1256 contracts loss and you checked box D above, enter the amount of that loss to be carried back, as a positive number. Do not enter in column (c) more than any loss on line 5			
<b>7</b> Combine lines 4 and 6, column (b), and combine lines 5 and 6, column (c)			
<b>8</b> Short-term capital gain or (loss). Multiply line 7, columns (b) and (c), by 40% (.40). Enter here and include on the appropriate line of Schedule D (see instructions)			
<b>9</b> Long-term capital gain or (loss). Multiply line 7, columns (b) and (c), by 60% (.60). Enter here and include on the appropriate line of Schedule D (see instructions)			

**Part II Gains and Losses From Straddles. Attach a separate schedule listing each straddle and its components.****Section A-Losses From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Loss. If column (e) is more than (d), enter difference. Otherwise, enter -0-	(g) Unrecognized gain on offsetting positions	(h) Recognized loss for entire year. If column (f) is more than (g), enter difference. Otherwise, enter -0-	(i) 28% rate loss (see instr. below)	(j) Post-May 5 loss (see instructions)
<b>10</b>									
<b>11a</b> Enter the short-term portion of losses from line 10, columns (h) and (j), here and include on the appropriate line of Schedule D (see instructions)						<b>11a</b>			
<b>b</b> Enter the long-term portion of losses from line 10, columns (h), (i), and (j), here and include on the appropriate line of Schedule D (see instructions)						<b>11b</b>			

**Section B-Gains From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain for entire year. If col. (d) is more than (e), enter difference. Otherwise, enter -0-	(g) 28% rate gain (see instr. below)	(h) Post-May 5 gain (see instructions)
<b>12</b>							
<b>13a</b> Enter the short-term portion of gains from line 12, columns (f) and (h), here and include on the appropriate line of Schedule D (see instructions)					<b>13a</b>		
<b>b</b> Enter the long-term portion of gains from line 12, col. (f), (g), and (h), here and include on the appropriate line of Schedule D (see instructions)					<b>13b</b>		

**Part III Unrecognized Gains From Positions Held on Last Day of Tax Year. Memo Entry Only (see instructions)**

(a) Description of property	(b) Date acquired	(c) Fair market value on last business day of tax year	(d) Cost or other basis as adjusted	(e) Unrecognized gain. If column (c) is more than (d), enter difference. Otherwise, enter -0-
<b>14</b>				

**28% rate gain or loss** includes all "collectibles gains and losses" and up to 50% of the eligible gain on qualified small business stock. See Instructions for Schedule D (Form 1040).

For Paperwork Reduction Act Notice, see page 4.

12131000 ENERGY MERCHANT INVESTORS FUND, LLC

1/25/2006 10:20 AM

13-4146885

# Federal Statements

FYE: 12/31/2003

## Statement 1 - Form 1065, Schedule K, Line 7 - Other Income

<u>Description</u>	<u>Amount</u>
SECTION 1256 CONTRACTS	\$ 60,245,248
TOTAL	<u>\$ 60,245,248</u>

## Statement 2 - Form 1065, Schedule K, Line 10 - Deductions Related to Portfolio Income

<u>Description</u>	<u>Amount</u>
BANK CHARGES	\$ 125
DIRECT FUND EXPENSES	77,498
TOTAL	<u>\$ 77,623</u>

**Federal Statements****Statement 3 - Form 1065, Schedule L, Line 8 - Other Investments**

Description	Beginning of Year	End of Year
EMIMF LTD	\$ 6,011,619	\$
TOTAL	\$ 6,011,619	\$ 0

**Statement 4 - Form 1065, Schedule L, Line 17 - Other Current Liabilities**

Description	Beginning of Year	End of Year
DUE TO EMC	\$ 7,000	\$
ACCRUED EXPENSES	16,223	
TOTAL	\$ 23,223	\$ 0

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1/25/2006 10:20 AM

13-4146885

## Federal Statements

FYE: 12/31/2003

### Form 1065, Schedule K, Line 14a - Investment Expense on Investment Debts

<u>Description</u>	<u>Amount</u>
MARGIN ACCOUNTS	\$ 16,783
TOTAL	\$ 16,783

13-4146885

**RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS**

FYE: 12/31/2003

**ENERGY MERCHANT INVESTORS FUND, LLC**

<u>PARTNER NAME</u>	<u>BEGINNING CAPITAL</u>	<u>CAPITAL CONTRIBUTED</u>	<u>LINES 3, 4, &amp; 7 SCHEDULE M-2</u>	<u>WITHDRAWALS &amp; DISTRIBUTIONS</u>	<u>ENDING CAPITAL</u>
MICHAEL S CORNISH	\$ 5,160,739	\$ 0	\$ 57,947,330	\$ 63,108,069	\$ 0
CHARLES P DUFFY	7,367	0	62,892	70,259	0
EMC CAPITAL CORP	821,027	0	2,288,645	3,109,672	0
TOTAL PARTNERS' CAPITAL	<u>\$ 5,989,133</u>	<u>\$ 0</u>	<u>\$ 60,298,867</u>	<u>\$ 66,288,000</u>	<u>\$ 0</u>

State of Connecticut  
Department of Revenue Services  
(Rev. 12/03)

**FORM CT-1065****Connecticut Partnership Income Tax Return****CT-1065  
2003**

For calendar year 2003, or other taxable year beginning , and ending

Name of Partnership <b>▶ ENERGY MERCHANT INVESTORS FUND, LLC ▶</b>		Federal Employer ID Number <b>13-4146885</b>
Address <b>▶ 369 FLORIDA HILL RD ▶</b>	PO Box	DRS USE ONLY <b>- 20</b>
City or Town <b>▶ RIDGEFIELD ▶</b>	State <b>CT</b>	ZIP Code <b>06877</b>
		Connecticut Tax Registration Number

**THIS SECTION MUST BE COMPLETED BY ALL FILERS:**

- A. Check here if: ☐ Amended return ☒ Final return (out of business in CT)
- B. Total number of partners during the taxable year:  
Resident Individuals, Trusts, or Estates: **▶ 1** Nonresident Individuals, Trusts, or Estates: **▶ 1**  
Partnerships or S Corporations: **▶** Other: **▶ 1**
- C. Enter the amount from federal Form 1065, Schedule K, Line 1: **▶ \$ 1,011,011**
- D. Date business began: **1/01/01** Date business began in Connecticut: **1/01/01**
- E. Check here if any partners are corporate entities ☒
- F. Does the partnership own, directly or indirectly, an interest in Connecticut real property? F. ☐ YES ☒ NO
- G. Was a controlling interest in this partnership transferred? G. ☐ YES ☒ NO  
If "YES," enter transferor name \_\_\_\_\_  
and Social Security Number or Federal Employer ID Number \_\_\_\_\_
- H. Did this partnership transfer a controlling interest in an entity that owns, directly or indirectly, an interest in CT real property? H. ☐ YES ☒ NO  
If "YES," enter entity name \_\_\_\_\_  
and Federal Employer ID Number \_\_\_\_\_
- I. Was there a distribution of property from the partnership or a transfer of a partnership interest during the taxable year? (If "YES," attach explanation.) I. ☐ YES ☒ NO

**SCHEDULE A - Business Information**

Complete only if the partnership carries on business both WITHIN and OUTSIDE Connecticut.

STREET ADDRESS	CITY AND STATE	DESCRIPTION OF PLACE	Check One		ACTIVITY AT THIS LOCATION
			OWNED	RENTED	

**SCHEDULE B - Income Apportionment**

- Complete Schedule B** ● There are one or more nonresident partners;  
**ONLY if ALL of the** ● The partnership carries on business both within and outside Connecticut; and  
**following apply:** ● Books and records do not satisfactorily disclose the portion of income derived from or connected with Connecticut sources.

	Column A Totals Everywhere	Column B Connecticut Only	Column C Decimal Notation
1. Real property owned	1		Percent Column B is of Column A
2. Real property rented from others	2		
3. Tangible personal property owned or rented	3		
4. Property owned or rented (Add Lines 1, 2, and 3)	4		
5. Employee wages and salaries	5		
6. Gross income from sales and services	6		
7. Total (Add Column C, Lines 4, 5, and 6)		7	
8. Business apportionment fraction (Divide Line 7 by three or actual number of fractions)		8	

This return must be filed with the Connecticut Department of Revenue Services, PO Box 2935, Hartford CT 06104-2935 no later than the fifteenth day of the fourth month following the close of the taxable year.

DECLARATION: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

<b>SIGN HERE</b>  Keep a copy of this return for your records.	Signature of General Partner	Title	Date	May DRS contact the preparer shown below about this return? <input type="checkbox"/> Yes <input type="checkbox"/> No (See instructions, Page 11)
	Paid Preparer's Signature		Telephone Number <b>203-994-1080</b>	
	Firm's Name and Address <b>JEFFERSON, URIAN, DOANE &amp; STERNER, P.A. PO BOX 477 OCEAN VIEW, DE 19970-0477</b>		Date <b>1/25/06</b>	Preparer's SSN or PTIN <b>P00319104</b>
			Federal Employer ID Number <b>51-0212284</b>	Telephone Number <b>302-539-5543</b>

Check if you used a paid preparer and do not want forms sent to you next year ☐ Checking this box does not relieve you of your responsibility to file.**ATTACH ENTIRE FEDERAL FORM 1065 (EXCLUDING K-1s)**

**ENERGY MERCHANT INVESTORS FUND, LLC13-4146885**

Attach additional sheets for Schedules C, D, and E in the same format as the original if necessary.

SCHEDULE C - Partner Information (See Instructions for order in which to list)					Nonresident Partner	
Partner	Name and Address		Identification Number	Profit %	Yes	No
# 2	CHARLES P DUFFY 22 BOUTONVILLE RD SOUTH SALEM NY 10590		097-58-8392	0.104300	X	
# 3	EMC CAPITAL CORP 126 EAST 56TH ST, 33RD FLOOR NEW YORK NY 10022		51-0383350	3.795500	X	
# 1	MICHAEL S CORNISH 369 FLORIDA HILL RD RIDGEFIELD CT 06877		101-58-5760	96.100200		X

Complete Schedule D only if the partnership has  
Connecticut modifications (See Instructions)**SCHEDULE D - Partners' Share of Connecticut Modifications**

Connecticut Modifications	PARTNER			Total All Partners
	# <u>2</u>	# _____	# <u>1</u>	
<b>ADDITIONS:</b> ENTER ALL AMOUNTS AS POSITIVE NUMBERS				
1. Interest on state and local government obligations other than Connecticut				
2. Mutual fund exempt-interest dividends from state or municipal government obligations other than Connecticut				
3. Certain deductions relating to income exempt from Connecticut income tax (See instructions)				
4. Special depreciation allowance for qualified property placed in service during this year				
5. Other - (Specify)				
<b>SUBTRACTIONS:</b> ENTER ALL AMOUNTS AS POSITIVE NUMBERS				
6. Interest on United States government obligations				
7. Exempt dividends from certain qualifying mutual funds derived from United States government obligations				
8. Certain expenses relating to income exempt from federal income tax (See instructions)				
9. Special depreciation allowance for qualified property placed in service during the preceding year				
10. Other - (Specify)				

The partnership must provide each partner (other than partners that are C corporations) with a schedule of Connecticut modification amounts, if any, for inclusion on the appropriate forms.

**SCHEDULE E - Computation of Connecticut Source Income**

Connecticut-sourced portion of items from federal Form 1065, Schedule K-1 (See instructions)	PARTNER			Total Partners
	# <u>2</u>	# _____	# _____	
1. Ordinary income (loss) from trade or business activities				
2. Net income (loss) from rental real estate activities				
3. Net income (loss) from other rental activities				
4. Portfolio income (loss) <b>SEE STMT</b>	<b>74</b>			<b>74</b>
5. Guaranteed payments to partners				
6. Net gain (loss) under I.R.C. § 1231 (other than due to casualty or theft)				
7. Other income (loss) <b>SEE STMT</b>	<b>62,835</b>			<b>62,835</b>
8. Expense deduction for property under I.R.C. § 179				
9. Other deductions <b>SEE STMT</b>	<b>17</b>			<b>17</b>

The partnership must provide each partner (other than partners that are resident individuals or that are C corporations) with a schedule of amounts of income derived from or connected with sources within Connecticut for inclusion on the appropriate forms.

12131000 ENERGY MERCHANT INVESTORS FUND, LLC

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13-4146885

**CT Partner Statements**

FYE: 12/31/2003

**ENERGY MERCHANT INVESTORS FUND, LLC****CT-1065 - Page 2**Partner #: 2Partner Name: CHARLES P DUFFYSSN/EIN: 097-58-8392**Form CT-1065, Page 2, Schedule E, Line 4 - Portfolio Income(Loss)**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
PORTFOLIO DEDUCTION	\$ -80
INTEREST	154
TOTAL	<u>\$ 74</u>

**Form CT-1065, Page 2, Schedule E, Line 7 - Other Income(Loss)**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
SECTION 1256 CONTRACTS	<u>\$ 62,835</u>

**Form CT-1065, Page 2, Schedule E, Line 9 - Other Deductions**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
INTEREST EXP ON INVEST DEBT	<u>\$ 17</u>



Form <b>CT-1065</b>	<b>CT Partner's Share of Modifications and Source Items Worksheet</b>	<b>2003</b>
Schedule K-1 For calendar year 2003, or other taxable year beginning and ending		
Partner's ID no. <b>101-58-5760</b>	CT Tax Registration No.	Partnership's ID no. <b>13-4146885</b>
Partner's name, address, and ZIP code		Partnership's name, address, and ZIP code

**MICHAEL S CORNISH**  
**369 FLORIDA HILL RD**  
**RIDGEFIELD CT 06877**

**ENERGY MERCHANT INVESTORS FUND, LLC**  
**369 FLORIDA HILL RD**  
**RIDGEFIELD CT 06877**

Resident ☒  
 Nonresident ☐  
 Amended ☐  
 Final ☒  
 Composite filer ☐  
 Taxes paid on behalf of nonresident partner ☐

Partner's percentage of:	Before change or termination	End of Year
Profit sharing	%	96.100200%
Loss sharing	%	96.100200%
Ownership of capital	%	96.100200%

### Schedule D - Modifications To Federal Items

#### Additions:

- 1 Interest on state and local obligations other than obligations of Connecticut
- 2 Exempt-interest dividends on state and local obligations other than Connecticut
- 3 Certain deductions relating to income exempt from Connecticut income tax
- 4 Special depreciation allowance for qualified property placed in service during this year
- 5 Other additions

#### Subtractions:

- 6 Interest on U.S. obligations
- 7 Dividends from certain mutual funds owning U.S. obligations
- 8 Certain expenses relating to income exempt from federal income tax
- 9 Special depr allowance for qualified property placed in service during the preceding year
- 10 Other subtractions

### Schedule E - Connecticut Source Income

- 1 Ordinary income (loss) from trade or business activities
- 2 Net income or (loss) from rental real estate activities
- 3 Net income or (loss) from other rental activities
- 4 Portfolio income (loss)
- 5 Guaranteed payments to partners
- 6 Net gain (loss) under IRC section 1231
- 7 Other income (loss)
- 8 Expense deduction for property under IRC section 179
- 9 Other deductions

### Supplemental Information

Form <b>CT-1065</b>	<b>CT Partner's Share of Modifications and Source Items Worksheet</b>	<b>2003</b>
Schedule K-1 For calendar year 2003, or other taxable year beginning and ending		
Partner's ID no. <b>097-58-8392</b>	CT Tax Registration No.	Partnership's ID no. <b>13-4146885</b>
Partner's name, address, and ZIP code		Partnership's name, address, and ZIP code

CHARLES P DUFFY  
22 BOUTONVILLE RD  
SOUTH SALEM NY 10590

ENERGY MERCHANT INVESTORS FUND, LLC  
369 FLORIDA HILL RD  
RIDGEFIELD CT 06877

Resident ☒  
Nonresident ☒  
Amended ☐  
Final ☒  
Composite filer ☐  
Taxes paid on behalf of nonresident partner

Partner's percentage of:	Before change or termination	End of Year
Profit sharing	%	0.104300%
Loss sharing	%	0.104300%
Ownership of capital	%	0.104300%

### Schedule D - Modifications To Federal Items

#### Additions:

- 1 Interest on state and local obligations other than obligations of Connecticut
- 2 Exempt-interest dividends on state and local obligations other than Connecticut
- 3 Certain deductions relating to income exempt from Connecticut income tax
- 4 Special depreciation allowance for qualified property placed in service during this year
- 5 Other additions

#### Subtractions:

- 6 Interest on U.S. obligations
- 7 Dividends from certain mutual funds owning U.S. obligations
- 8 Certain expenses relating to income exempt from federal income tax
- 9 Special depr allowance for qualified property placed in service during the preceding year
- 10 Other subtractions

### Schedule E - Connecticut Source Income

- |  |          |        |
|--|----------|--------|
| 1 Ordinary income (loss) from trade or business activities |          |        |
| 2 Net income or (loss) from rental real estate activities  |          |        |
| 3 Net income or (loss) from other rental activities        |          |        |
| 4 Portfolio income (loss)                                  | SEE STMT | 74     |
| 5 Guaranteed payments to partners                          |          |        |
| 6 Net gain (loss) under IRC section 1231                   |          |        |
| 7 Other income (loss)                                      | SEE STMT | 62,835 |
| 8 Expense deduction for property under IRC section 179     |          |        |
| 9 Other deductions   | SEE STMT | 17     |

### Supplemental Information

## Schedule D - Modifications To Federal Items

1	Interest on state and local obligations other than obligations of Connecticut .....	_____
2	Exempt-interest dividends on state and local obligations other than Connecticut .....	_____
3	Certain deductions relating to income exempt from Connecticut income tax .....	_____
4	Special depreciation allowance for qualified property placed in service during this year .....	_____
5	Other additions .....	_____

6	Interest on U.S. obligations .....	_____
7	Dividends from certain mutual funds owning U.S. obligations .....	_____
8	Certain expenses relating to income exempt from federal income tax .....	_____
9	Special depr allowance for qualified property placed in service during the preceding year .....	_____
10	Other subtractions .....	_____

1	Ordinary income (loss) from trade or business activities	
2	Net income or (loss) from rental real estate activities	
3	Net income or (loss) from other rental activities	
4	Portfolio income (loss)	
5	Guaranteed payments to partners	
6	Net gain (loss) under IRC section 1231	
7	Other income (loss)	
8	Expense deduction for property under IRC section 179	
9	Other deductions	

[illegible]

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13-4146885

**CT Partner Statements**

FYE: 12/31/2003

**ENERGY MERCHANT INVESTORS FUND, LLC**

**Schedule K-1**

Partner #: 2

Partner Name: CHARLES P DUFFY

SSN/EIN: 097-58-8392

**Form CT-1065, K-1 Worksheet, Schedule E - Portfolio Income(Loss)**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
PORTFOLIO DEDUCTION	\$ -80
INTEREST	154
TOTAL	<u>\$ 74</u>

**Form CT-1065, K-1 Worksheet, Schedule E - Other Income(Loss)**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
SECTION 1256 CONTRACTS	<u>\$ 62,835</u>

**Form CT-1065, K-1 Worksheet, Schedule E - Other Deductions**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
INTEREST EXP ON INVEST DEBT	<u>\$ 17</u>

**N**

My research is based on the following sources:

Form 1120

Department of the Treasury  
Internal Revenue Service

## U.S. Corporation Income Tax Return

For calendar year 2004 or tax year beginning , ending

12088001 09/14/2005 3:55 PM  
OMB No. 1545-0123

2004

<b>A Check if:</b> 1 Consolidated return (attach Form 951) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch. M-3) <input checked="" type="checkbox"/>		<b>Use IRS label. Otherwise, print or type.</b> Name <b>ENERGY MERCHANT CORP</b> Number, street, and room or suite no. <b>AND SUBSIDIARIES</b> If a P.O. box, see page 9 of instructions. <b>126 EAST 56TH ST., 33 FLOOR</b> City or town, state, and ZIP code <b>NEW YORK NY 10022</b>	<b>B Employer identification number</b> <b>13-3855623</b> <b>C Date incorporated</b> <b>6/15/1995</b> <b>D Total assets (see page 8 of instructions)</b> <b>\$ 9,703,194</b>
---	--	---	---

<b>E Check if:</b> (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change				
<b>Income</b>	1a Gross receipts/sales	b Less returns & allowances	c Bal	1c
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Dividends (Schedule C, line 19)			4 1,000,000
	5 Interest			5 26,865
	6 Gross rents			6
	7 Gross royalties			7
	8 Capital gain net income (attach Sch. D (Form 1120))			8 5,918,000
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9
	10 Other income (see page 11 of instructions-attach schedule)	SEE STMT 1, 2		10 -398,355
	11 Total income. Add lines 3 through 10			11 6,546,510
<b>Deductions</b> (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)			12 918,188
	13 Salaries and wages (less employment credits)			13 423,558
	14 Repairs and maintenance			14 2,858
	15 Bad debts			15
	16 Rents			16 367,578
	17 Taxes and licenses			17 147,773
	18 Interest			18
	19 Charitable contributions (see page 14 of instructions for 10% limitation)			19
	20 Depreciation (attach Form 4562)	20 41,618		
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a	21b 41,618	
	22 Depletion			22
23 Advertising			23	
24 Pension, profit-sharing, etc., plans			24 102,927	
25 Employee benefit programs			25 181,990	
26 Other deductions (attach schedule)	SEE STMT 3		26 1,171,583	
27 Total deductions. Add lines 12 through 26			27 3,358,073	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 3,188,437	
29 Less: a Net operating loss deduction (see page 16 of instructions)	29a 2,188,437			
b Special deductions (Schedule C, line 20)	29b 1,000,000	29c 3,188,437		
30 Taxable income. Subtract line 29c from line 28 (see instructions if Schedule C, line 12, was completed)		30 0		
31 Total tax (Schedule J, line 11)		31 38,831		
<b>Tax and Payments</b>	32 Payments: a 2003 overpayment credited to 2004	32a		
	b 2004 estimated tax payments	32b		
	c Less 2004 refund applied for on Form 4468	32c		
	d Bal	32d		
	e Tax deposited with Form 7004	32e		
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f		
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g		
	33 Estimated tax penalty (see page 17 of instructions). Check if Form 2220 is attached		33 1,112	
	34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed		34 39,943	
	35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		35	
	36 Enter amt. of line 35 you want Credited to 2005 estimated tax	Refunded	36	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see Instr. 7)? ☒ Yes ☐ No

Signature of officer

Date

Title

Paid  
Preparer's  
Use Only

Preparer's signature

Date  
9/14/05Check if self-employed ☐Preparer's SSN or PTIN  
P00319104

Firm's name (or yours if self-employed), address, and ZIP code

JEFFERSON, URIAN, DOANE & STERNER, P.A.  
PO BOX 477  
OCEAN VIEW, DE 19970-0477EIN 51-0212284  
Phone no. 302-539-5543

9/15 INT

1,468 FTF

9,708

TOT

51,119

Form **7004**  
(Rev. September 2003)**Application for Automatic Extension of Time  
To File Corporation Income Tax Return**

OMB No. 1545-0233

Department of the Treasury  
Internal Revenue Service

of corporation

**ENERGY MERCHANT CORP**Employer identification number  
**13-3855623**

Number, street, and room or suite no. (If a P.O. box or outside the United States, see instructions.)

**126 EAST 56TH ST., 33FLOOR**

City or town, state, and ZIP code

**NEW YORK****NY 10022**

Check type of return to be filed:

<input type="checkbox"/> Form 990-C	<input type="checkbox"/> Form 1120-FSC	<input type="checkbox"/> Form 1120-PC	<input type="checkbox"/> Form 1120S
<input checked="" type="checkbox"/> Form 1120	<input type="checkbox"/> Form 1120-H	<input type="checkbox"/> Form 1120-POL	<input type="checkbox"/> Form 1120-SF
<input type="checkbox"/> Form 1120-A	<input type="checkbox"/> Form 1120-L	<input type="checkbox"/> Form 1120-REIT	
<input type="checkbox"/> Form 1120-F	<input type="checkbox"/> Form 1120-ND	<input type="checkbox"/> Form 1120-RIC	

• Form 1120-F filers: Check here if the foreign corporation does not maintain an office or place of business in the United States ☐

**1 Request for Automatic Extension (see instructions)**

a **Extension date.** I request an automatic 6-month (or, for certain corporations, 3-month) extension of time until **9/15/05** to file the income tax return of the corporation named above for ☒ calendar year 20 **04** or ☐ tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_

b **Short tax year.** If this tax year is for less than 12 months, check reason:

☐ Initial return ☐ Final return ☐ Change in accounting period ☐ Consolidated return to be filed

**2 Members of an affiliated group of corporations filing a consolidated return (consolidated group) (see instructions).**

Name and address of each member of the affiliated group	Employer identification number
<b>ENERGY MERCHANT HOLDING INC</b> 126TH ST NEW YORK NY 10022	13-4104912
<b>EMC CAPITAL CORP</b> 126TH ST NEW YORK NY 10022	51-0383350
<b>ENERGY MERCHANT MANAGEMENT CO, LLC</b> 126TH ST NEW YORK NY 10022	13-4146881
<b>CORPORATE DEVELOPMENT, INC</b> 126TH ST NEW YORK NY 10022	13-3817433
<b>POWERINE OIL COMPANY</b> 126TH ST NEW YORK NY 10022	95-4564080
<b>ANGLO PETROLEUM CORPORATION</b> 126TH ST NEW YORK NY 10022	95-4059009

**3 Tentative tax (see instructions)**

3 0

**4 Payments and refundable credits: (see instructions)**

a Overpayment credited from prior year 4a

b Estimated tax payments for the tax year 4b

c Less refund for the tax year applied for on Form 4466 4c

e Credit for tax paid on undistributed capital gains (Form 2439) 4e

f Credit for Federal tax on fuels (Form 4136) 4f

Bal ▶

4d

4e

4f

**5 Total. Add lines 4d through 4f (see instructions)**

5 0

**6 Balance due. Subtract line 5 from line 3. Deposit this amount using the Electronic Federal**

6 0

**Tax Payment System (EFTPS) or with a Federal Tax Deposit (FTD) Coupon (see instructions)**

I declare that I have been authorized by the above-named corporation to make this application, and to the best of my knowledge and belief, the statements made are true, correct, and complete.

(Signature of officer or agent)

(Title)

3/08/05

(Date)

Form 1120 (2004) **ENERGY MERCHANT CORP**

13-3855023

Page 2

**Schedule A Cost of Goods Sold** (see page 17 of instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** ☐ Yes ☐ No

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

**Schedule C Dividends and Special Deductions** (see page 18 of instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	see instr.	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See page 19 of instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members and certain FSCs that are subject to the 100% deduction	1,000,000	100
12	Dividends from controlled foreign corporations subject to the 85% deduction (attach Form 8895)	85	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4 ▶	1,000,000	
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ▶		1,000,000

**Schedule E Compensation of Officers** (see instructions for page 1, line 12, on page 13 of instructions)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 SIEGFRIED K HODAPP	106-52-9250	100.000%	68.000%	%	400,000
VINCENT PAPA	070-38-3201	100.000%	1.000%	%	253,500
ROBERT A WENOM	500-46-1850	100.000%	%	%	264,688
MICHAEL S CORNISH	101-58-5760	50.000%	%	%	
		%	%	%	
2 Total compensation of officers					918,188
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					918,188



Form 1120 (2004) **ENERGY MERCHANT CORP**

13-3855-23

Page 3

**Schedule J Tax Computation** (see page 20 of instructions)

1	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>		
<b>Important:</b> Members of a controlled group, see page 20 of instructions.			
2a	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1)	\$	(2)	\$
(3)	\$		
b	Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$		
	(2) Additional 3% tax (not more than \$100,000) \$		
3	Income tax. Check if a qualified personal service corp. under section 448(d)(2) (see page 21) <input type="checkbox"/>	3	0
4	Alternative minimum tax (attach Form 4626)	4	38,831
5	Add lines 3 and 4	5	38,831
6a	Foreign tax credit (attach Form 1118)	6a	
b	Possessions tax credit (attach Form 5735)	6b	
c	Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (att. Form 8834)	6c	
d	General business credit. Check box(es) and indicate which forms are attached: <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) ▶	6d	
e	Credit for prior year minimum tax (attach Form 8827)	6e	
f	Qualified zone academy bond credit (attach Form 8860)	6f	
7	Total credits. Add lines 6a through 6f	7	
8	Subtract line 7 from line 5	8	38,831
9	Personal holding company tax (attach Schedule PH (Form 1120))	9	
10	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	10	
11	Total tax. Add lines 8 through 10. Enter here and on page 1, line 31	11	38,831

**Schedule K Other Information** (see page 23 of instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶	Yes	No	7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? <input type="checkbox"/>	Yes	No
2	See page 25 of the instructions and enter the:				If "Yes," enter: (a) Percentage owned ▶ and (b) Owner's country ▶		X
a	Business activity code no. ▶ 541990						
b	Business activity ▶ MANAGEMENT						
c	Product or service ▶ CONSULTING						
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>	X		c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶		
	If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year. STMT 4			8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? <input checked="" type="checkbox"/>		X	9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ 0		
	If "Yes," enter name and EIN of the parent corp. ▶			10	Enter the number of shareholders at the end of the tax year (if 75 or fewer) ▶ 5		
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/>	X		11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>		
	If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶ 68.500 STMT 5			12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ 8,626,375		
6	During this tax year, did the corp. pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/>		X	13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input type="checkbox"/>		X
	If "Yes," file Form 5452, Corporate Report of Nondividend Distributions.				If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$		
	If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.						

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Form 1120 (2004) **ENERGY MERCHANT CORP**

13-3855023

Page 4

**Note:** The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		485,929		240,208
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (att. sch.) STMT 6		2,426,276		7,849,530
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach sch.) STMT 7		-538,185		1,256,715
10a	Buildings and other depreciable assets	590,258		590,258	
b	Less accumulated depreciation	301,496	288,762	389,216	201,042
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach sch.) STMT 8		155,699		155,699
15	Total assets		2,818,481		9,703,194
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable		3,689,260		3,370,231
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities STMT 9		87,242		5,458,827
19	Loans from shareholders		230,000		
20	Mortgages, notes, bonds payable in 1 year or more		8,487,170		8,487,170
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	3,350,000	3,350,000	3,350,000	3,350,000
23	Additional paid-in capital		349,700		349,700
24	Retained earnings-Appropriated				
25	Retained earnings-Unappropriated		-12,674,891		-10,612,734
26	Adjustments to SH equity (att. sch.)				
27	Less cost of treasury stock		700,000		700,000
28	Total liabilities and shareholders' equity		2,818,481		9,703,194

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 24 of instructions)**

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest\$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation .. \$		a	Depreciation .. \$	
b	Charitable contributions .. \$		b	Charitable contributions .. \$	
c	Travel and entertainment .. \$				
6	Add lines 1 through 5		9	Add lines 7 and 8	
			10	Income (page 1, line 28)-line 6 less line 9	

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	-12,674,891	5	Distributions: a Cash	
2	Net income (loss) per books	2,062,157		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	-10,612,734	8	Balance at end of year (line 4 less line 7)	-10,612,734

Form **4626**

## Alternative Minimum Tax-Corporations

OMB No. 1545-0175

**2004**Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

▶ Attach to the corporation's tax return.

Name

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Note: See page 1 of the instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

<b>1</b>	Taxable income or (loss) before net operating loss deduction	<b>1</b>	<b>2,188,437</b>
<b>2</b>	<b>Adjustments and preferences:</b>		
<b>a</b>	Depreciation of post-1986 property	<b>2a</b>	<b>-15,205</b>
<b>b</b>	Amortization of certified pollution control facilities	<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs	<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only)	<b>2d</b>	
<b>e</b>	Adjusted gain or loss	<b>2e</b>	
<b>f</b>	Long-term contracts	<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds	<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only)	<b>2i</b>	
<b>j</b>	Passive activities (closely held corporations and personal service corporations only)	<b>2j</b>	
<b>k</b>	Loss limitations	<b>2k</b>	
<b>l</b>	Depletion	<b>2l</b>	
<b>m</b>	Tax-exempt interest income from specified private activity bonds	<b>2m</b>	
<b>n</b>	Intangible drilling costs	<b>2n</b>	
<b>o</b>	Other adjustments and preferences	<b>2o</b>	
<b>3</b>	Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o	<b>3</b>	<b>2,173,232</b>
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
<b>a</b>	ACE from line 10 of the worksheet on page 11 of the instructions	<b>4a</b>	<b>2,173,232</b>
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount. See examples on page 6 of the instructions	<b>4b</b>	
<b>c</b>	Multiply line 4b by 75% (.75). Enter the result as a positive amount	<b>4c</b>	
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see page 6 of the instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	<b>4d</b>	<b>0</b>
<b>e</b>	<b>ACE adjustment:</b>		
	• If line 4b is zero or more, enter the amount from line 4c		
	• If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount	<b>4e</b>	
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT	<b>5</b>	<b>2,173,232</b>
<b>6</b>	Alternative tax net operating loss deduction (see page 7 of the instructions)	<b>6</b>	<b>1,955,909</b>
<b>7</b>	Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see page 7 of the instructions	<b>7</b>	<b>217,323</b>
<b>8</b>	<b>Exemption phase-out (If line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):</b>		
<b>a</b>	Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	<b>8a</b>	<b>67,323</b>
<b>b</b>	Multiply line 8a by 25% (.25)	<b>8b</b>	<b>16,831</b>
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	<b>8c</b>	<b>23,169</b>
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-	<b>9</b>	<b>194,154</b>
<b>10</b>	Multiply line 9 by 20% (.20)	<b>10</b>	<b>38,831</b>
<b>11</b>	Alternative minimum tax foreign tax credit (AMTFTC) (see page 7 of the instructions)	<b>11</b>	<b>0</b>
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10	<b>12</b>	<b>38,831</b>
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit	<b>13</b>	<b>0</b>
<b>14</b>	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return	<b>14</b>	<b>38,831</b>

For Paperwork Reduction Act Notice, see page 10 of the instructions.

Form **4626** (2004)

DAA

Form **851**

(Rev. December 2003)  
Department of the Treasury  
Internal Revenue Service

## Affiliations Schedule

► **File with each consolidated income tax return.**

Tax year ending 12/31/04

OMB No. 1545-0025

Name of common parent corporation

ENERGY MERCHANT CORP

Employer identification number

13-3855623

Number, street, and room or suite no. (If a P.O. box, see instructions.)

126 EAST 56TH ST., 33FLOOR

City or town, state, and ZIP code

NEW YORK

**NY 10022**

**Part I      Overpayment Credits, Estimated Tax Payments, and Tax Deposits (See instructions.)**

Corp. No.	Name and address of corporation	Employer identification number	Portion of overpayment credits and estimated tax payments	Portion of tax deposited with Form 7004
1	Common parent corporation		0	0
2	Subsidiary corporations: POWERINE OIL COMPANY 126 E 56TH ST, 33 FLOOR NEW YORK NY 10022	95-4564080		
3	ANGLO PETROLEUM CORPORATION 126 E 56TH ST, 33 FLOOR NEW YORK NY 10022	95-4059009		
4	CORPORATE DEVELOPMENT INC 126 E 56TH ST, 33 FLOOR NEW YORK NY 10022	13-3817433		
5	ENERGY MERCHANT HOLDING INC 126 EAST 56TH ST, 33RD FLOOR NEW YORK NY 10022	13-4104912		
Totals (Must equal amounts shown on the consolidated tax return.)			0	0

**Part II Principal Business Activity, Voting Stock Information, Etc. (See instructions.)**[illegible]

Form 851 (Rev. 12-2003) **ENERGY MERCH...T CORP**

13-3005623

Page 2

**Part III Changes in Stock Holdings During the Tax Year**

Corp. No.	Name of corporation	Share- holder of Corpo- ration No.	Date of transaction	(a) Changes		(b) Shares held after changes described in column (a)	
				Number of shares acquired	Number of shares disposed of	Percent of voting power	Percent of value
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%

(c) If any transaction listed above caused a deconsolidation of a group member, did the basis of any shares retained by the group exceed the value of those shares immediately before the deconsolidation? See the instructions. ☐ Yes ☐ No

(d) Is the group claiming a loss recognized on the disposition of the stock of a group member? If "Yes," see the instructions for details, including the statements that must be attached. ☐ Yes ☐ No

(e) If the equitable owners of any capital stock shown above were other than the holders of record, provide details of the changes.

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(f) If additional stock was issued, or if any stock was retired during the year, list the dates and amounts of these transactions.

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Form 851 (Rev. 12-2003) **ENERGY MERCH... CORP****13-305623**Page **3****Part IV Additional Stock Information (See instructions.)**

- 1** During the tax year, did the corporation have more than one class of stock outstanding? ☐ Yes ☒ No  
If "Yes," enter the name of the corporation and list and describe each class of stock.

Corp. No.	Name of corporation	Class of Stock

- 2** During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation? ☐ Yes ☒ No  
If "Yes," enter the name of the corporation(s) and explain the circumstances.

Corp. No.	Name of corporation	Explanation

- 3** During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group? ☐ Yes ☒ No  
If "Yes," enter the name of the corporation and see the instructions for what to enter in Items 3a, 3b, 3c, and 3d.

Corp. No.	Name of corporation	Item 3a	Item 3b	Item 3c

Corp. No.	Item 3d-Provide a description of any arrangement.

**SCHEDULE D**

(Form 1120)

Department of the Treasury  
Internal Revenue Service**Capital Gains and Losses**▶ Attach to Form 1120, 1120-A, 1120-F, 1120-FSC, 1120-H,  
1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT,  
1120-RIC, 1120-SF, 990-C, or certain Forms 990-T.

OMB No. 1545-0123

**2004**

Name

Employer identification number

**ENERGY MERCHANT CORP****13-3855623****Part I Short-Term Capital Gains and Losses-Assets Held One Year or Less**

(a) Description of property (Example: 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) (Subtract (e) from (d))
1					

2 Short-term capital gain from installment sales from Form 6252, line 26 or 37	2	
3 Short-term gain or (loss) from like-kind exchanges from Form 8824	3	
4 Unused capital loss carryover (attach computation)	4	
5 Net short-term capital gain or (loss). Combine lines 1 through 4	5	

**Part II Long-Term Capital Gains and Losses-Assets Held More Than One Year**

6 <b>EMC CAPITAL CORP</b>	<b>VARIOUS</b>	<b>3/01/04</b>	<b>1,000,000</b>		<b>1,000,000</b>
<b>PASS THROUGH ENTITY (SCH K-1)</b>					<b>4,918,000</b>

7 Enter gain from Form 4797, line 7 or 9	7	
8 Long-term capital gain from installment sales from Form 6252, line 26 or 37	8	
9 Long-term gain or (loss) from like-kind exchanges from Form 8824	9	
10 Capital gain distributions (see instructions)	10	0
11 Net long-term capital gain or (loss). Combine lines 6 through 10	11	5,918,000

**Part III Summary of Parts I and II**

12 Enter excess of net short-term capital gain (line 5) over net long-term capital loss (line 11)	12	
13 Net capital gain. Enter excess of net long-term capital gain (line 11) over net short-term capital loss (line 5)	13	5,918,000
14 Add lines 12 and 13. Enter here and on Form 1120, page 1, line 8, or the proper line on other returns	14	5,918,000

Note: If losses exceed gains, see Capital losses on page 2.

**SCHEDULE M-3**  
**(Form 1120)**

Department of the Treasury  
Internal Revenue Service

**Net Income (Loss) Reconciliation for Corporations**  
**With Total Assets of \$10 Million or More**

▶ Attach to Form 1120.  
▶ See separate instructions.

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OMB No. 1545-0123

**2004**

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

**Part I Financial Information and Net Income (Loss) Reconciliation**

1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?

☐  
☒

Yes. Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.  
No. Go to line 1b.

b Did the corporation prepare a certified audited income statement for that period?

☐  
☒

Yes. Skip line 1c and complete lines 2a through 11 with respect to that income statement.  
No. Go to line 1c.

c Did the corporation prepare an income statement for that period?

☒  
☐

Yes. Complete lines 2a through 11 with respect to that income statement. **STMT 10**  
No. Skip lines 2a through 10 and enter the corporation's net income (loss) per its books and records on line 11.

2a Enter the income statement period: Beginning 1/01/04 Ending 12/31/04

b Has the corporation's income statement been restated for the income statement period on line 2a?

☐  
☒

Yes. (If "Yes," attach an explanation and the amount of each item restated.)  
No.

c Has the corporation's income statement been restated for any of the five income statement periods preceeding the period on line 2a?

☐  
☒

Yes. (If "Yes," attach an explanation and the amount of each item restated.)  
No.

3a Is any of the corporation's voting common stock publicly traded?

☐  
☒

Yes.  
No. If "No," go to line 4.

b Enter the symbol of the corporation's primary U.S. publicly traded voting common stock

c Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock

4 Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1

4

5a Net income from nonincludible foreign entities (attach schedule)

5a

b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount)

5b

6a Net income from nonincludible U.S. entities (attach schedule)

6a

b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount)

6b

7a Net income of other includible corporations (attach schedule)

7a

b Net loss of other includible corporations (attach schedule)

7b

8 Adjustment to eliminations of transactions between includible corporations and nonincludible entities (attach schedule)

8

9 Adjustment to reconcile income statement period to tax year (attach schedule)

9

10 Other adjustments to reconcile to amount on line 11 (attach schedule)

10

11 Net income (loss) per income statement of includible corporations. Combine lines 4 through 10

10

**STMT 11**

11

**2,062,157**



Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP****(CON)**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations <b>STMT 12</b>	<b>3,542,287</b>		<b>-3,542,287</b>	
7 U.S. dividends not eliminated in tax consolidation <b>STMT 13</b>			<b>3,542,287</b>	<b>3,542,287</b>
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities			<b>1,000,000</b>	<b>1,000,000</b>
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26	<b>3,542,287</b>		<b>1,000,000</b>	<b>4,542,287</b>
28 Total expense/deduction items (from Part III, line 36)	<b>-244,253</b>	<b>49,127</b>	<b>77,153</b>	<b>-117,973</b>
29 Other income (loss) and expense/deduction items with no differences	<b>-1,235,877</b>			<b>-1,235,877</b>
30 Reconciliation totals. Combine lines 27 through 29	<b>2,062,157</b>	<b>49,127</b>	<b>1,077,153</b>	<b>3,188,437</b>

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP****(CON)**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment	153,508		-77,153	76,355
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation	90,745	-49,127		41,618
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28	244,253	-49,127	-77,153	117,973

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

(PAR)

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations <b>STMT 14</b>	<b>3,542,287</b>		<b>-3,542,287</b>	
7 U.S. dividends not eliminated in tax consolidation <b>STMT 15</b>			<b>1,000,000</b>	<b>1,000,000</b>
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26	<b>3,542,287</b>		<b>-2,542,287</b>	<b>1,000,000</b>
28 Total expense/deduction items (from Part III, line 36)	<b>-240,430</b>	<b>46,102</b>	<b>76,355</b>	<b>-117,973</b>
29 Other income (loss) and expense/deduction items with no differences	<b>-1,588,937</b>			<b>-1,588,937</b>
30 Reconciliation totals. Combine lines 27 through 29	<b>1,712,920</b>	<b>46,102</b>	<b>-2,465,932</b>	<b>-706,910</b>

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP****(PAR)**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment	152,710		-76,355	76,355
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation	87,720	-46,102		41,618
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28	240,430	-46,102	-76,355	117,973

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**POWERINE OIL COMPANY**

Employer identification number

**95-4564080****Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26				
28 Total expense/deduction items (from Part III, line 36)				
29 Other income (loss) and expense/deduction items with no differences	349,237			349,237
30 Reconciliation totals. Combine lines 27 through 29	349,237			349,237

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**POWERINE OIL COMPANY**

Employer identification number

**95-4564080****Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28				

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**ANGLO PETROLEUM CORPORATION**

Employer identification number

**95-4059009****Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26				
28 Total expense/deduction items (from Part III, line 36)				
29 Other income (loss) and expense/deduction items with no differences				
30 Reconciliation totals. Combine lines 27 through 29	0			0

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**ANGLO PETROLEUM CORPORATION**

Employer identification number

**95-4059009****Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28				



Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**CORPORATE DEVELOPMENT INC**

Employer identification number

**13-3817433****Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26				
28 Total expense/deduction items (from Part III, line 36)				
29 Other income (loss) and expense/deduction items with no differences				
30 Reconciliation totals. Combine lines 27 through 29	0			0

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**CORPORATE DEVELOPMENT INC**

Employer identification number

**13-3817433****Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28				

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**ENERGY MERCHANT HOLDING INC**

Employer identification number

**13-4104912****Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corp.				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Inventory valuation adjustments				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses				
23f Worthless stock losses (att. details)				
23g Other gain/loss on disposition of assets other than inv.				
24 Disallowed capital loss in excess of capital gains				
25 Utilization of capital loss carryforward				
26 Other inc. (loss) items with diff.				
27 Total income (loss) items. Combine lines 1 through 26				
28 Total expense/deduction items (from Part III, line 36)				
29 Other income (loss) and expense/deduction items with no differences				
30 Reconciliation totals. Combine lines 27 through 29	0			0

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Name of subsidiary (if consolidated return)

**ENERGY MERCHANT HOLDING INC**

Employer identification number

**13-4104912****Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Incentive stock options				
9 Nonqualified stock options				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Punitive damages				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation				
22 Charitable contribution carryforward used				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28				

Form **2220****Underpayment of Estimated Tax by Corporations**

OMB No. 1545-0142

Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

▶ Attach to the corporation's tax return.

**2004**

Name

**ENERGY MERCHANT CORP**

Employer identification number

**13-3855623**

Note: In most cases, the corporation is not required to file Form 2220 (see Part I below for exceptions) because the IRS will figure any penalty owed and bill the corporation. Even if Form 2220 is not required, the corporation may still use it to figure the penalty. In such a case, enter the amount from page 2, line 38 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

**Part I Reasons for Filing** - Check the boxes below that apply. If any boxes are checked, and line 6, below, is \$500 or more, the corporation must file Form 2220 even if it does not owe a penalty.

- 1 ☐ The corporation is using the adjusted seasonal installment method.  
 2 ☐ The corporation is using the annualized income installment method.  
 3 ☐ The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

**Part II Figuring the Underpayment**

4	Total tax (see instructions)	4	38,831			
5a	Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 4	5a				
5b	Look-back interest included on line 4 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	5b				
5c	Credit for Federal tax paid on fuels (see instructions)	5c				
5d	Total. Add lines 5a through 5c	5d				
6	Subtract line 5d from line 4. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty	6	38,831			
7	Enter the tax shown on the corporation's 2003 income tax return (see instructions). Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 6 on line 8 <b>NOT APPLICABLE</b>	7				
8	Enter the smaller of line 6 or line 7. If the corporation is required to skip line 7, enter the amount from line 6	8	38,831			
9	Installment due dates. Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th months of the corporation's tax year	(a)	(b)	(c)	(d)	(e)
9	4/15/04	6/15/04	9/15/04	12/15/04		
10	Required installments. If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, line 38. If the box on line 3 (but not 1 or 2) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 6 above in each column	10	9,707	9,708	9,708	9,708
11	Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15	11				
12	Enter amount, if any, from line 18 of the preceding column	12				
13	Add lines 11 and 12	13				
14	Add amounts on lines 16 and 17 of the preceding column	14		9,707	19,415	29,123
15	Subtract line 14 from line 13. If zero or less, enter -0-	15	0	0	0	0
16	If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-	16		9,707	19,415	
17	Underpayment. If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	17	9,707	9,708	9,708	9,708
18	Overpayment. If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column	18				

Go to Part III on page 2 to figure the penalty. Do not go to Part III if there are no entries on line 17-no penalty is owed.

For Paperwork Reduction Act Notice, see separate instructions.

Form **2220** (2004)

DAA

Form 2220 (2004) **ENERGY MERCHANT CORP****13-3855623**Page **2****Part III Figuring the Penalty**

	(a)	(b)	(c)	(d)	(e)
<b>19</b> Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers: Use 5th month instead of 3rd month.)	<b>19</b>	<b>SEE WORKSHEET</b>			
<b>20</b> Number of days from due date of installment on line 9 to the date shown on line 19	<b>20</b>				
<b>21</b> Number of days on line 20 after 4/15/2004 and before 7/1/2004	<b>21</b>				
<b>22</b> Underpayment on line 17 x Number of days on line 21 x 5% 366	<b>22</b>	\$	\$	\$	\$
<b>23</b> Number of days on line 20 after 6/30/2004 and before 10/1/2004	<b>23</b>				
<b>24</b> Underpayment on line 17 x Number of days on line 23 x 4% 366	<b>24</b>	\$	\$	\$	\$
<b>25</b> Number of days on line 20 after 9/30/2004 and before 1/1/2005	<b>25</b>				
<b>26</b> Underpayment on line 17 x Number of days on line 25 x 5% 366	<b>26</b>	\$	\$	\$	\$
<b>27</b> Number of days on line 20 after 12/31/2004 and before 4/1/2005	<b>27</b>				
<b>28</b> Underpayment on line 17 x Number of days on line 27 x 5% 365	<b>28</b>	\$	\$	\$	\$
<b>29</b> Number of days on line 20 after 3/31/2005 and before 7/1/2005	<b>29</b>				
<b>30</b> Underpayment on line 17 x Number of days on line 29 x % 365	<b>30</b>	\$	\$	\$	\$
<b>31</b> Number of days on line 20 after 6/30/2005 and before 10/1/2005	<b>31</b>				
<b>32</b> Underpayment on line 17 x Number of days on line 31 x % 365	<b>32</b>	\$	\$	\$	\$
<b>33</b> Number of days on line 20 after 9/30/2005 and before 1/1/2006	<b>33</b>				
<b>34</b> Underpayment on line 17 x Number of days on line 33 x % 365	<b>34</b>	\$	\$	\$	\$
<b>35</b> Number of days on line 20 after 12/31/2005 and before 2/16/2006	<b>35</b>				
<b>36</b> Underpayment on line 17 x Number of days on line 35 x % 365	<b>36</b>	\$	\$	\$	\$
<b>37</b> Add lines 22, 24, 26, 28, 30, 32, 34, and 36	<b>37</b>	\$	\$	\$	\$
<b>38</b> Penalty. Add columns (a) through (e) of line 37. Enter the total here and on Form 1120, line 33; Form 1120-A, line 29; or the comparable line for other income tax returns	<b>38</b>	\$			<b>1,112</b>

\*For underpayments paid after March 31, 2005: For lines 30, 32, 34, and 36, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at [www.irs.gov](http://www.irs.gov). You can also call 1-800-829-1040 to get interest rate information.

Form **2220** (2004)

Form <b>2220</b>	<b>Underpayment of Estimated Tax by Corporations Worksheet</b>	<b>2004</b>
For calendar year 2004 or tax year beginning _____, ending _____		

Name <b>ENERGY MERCHANT CORP</b>	Employer Identification Number <b>13-3855623</b>
-------------------------------------	---

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Due date of estimated payment	4/15/04	6/15/04	9/15/04	12/15/04
Amount of underpayment	9,707	9,708	9,708	9,708
Withholding				

	1st Pymt	2nd Pymt	3rd Pymt	4th Pymt	5th Pymt
Date of payment					
Amount of payment					

QTR	FROM	TO	UNDERPAYMENT	#DAYS	RATE	PENALTY
1	4/15/04	6/30/04	9,707	76	5.00	101
1	6/30/04	9/30/04	9,707	92	4.00	98
1	9/30/04	12/31/04	9,707	92	5.00	122
1	12/31/04	3/15/05	9,707	74	5.00	98
2	6/15/04	6/30/04	9,708	15	5.00	20
2	6/30/04	9/30/04	9,708	92	4.00	98
2	9/30/04	12/31/04	9,708	92	5.00	122
2	12/31/04	3/15/05	9,708	74	5.00	98
3	9/15/04	9/30/04	9,708	15	4.00	16
3	9/30/04	12/31/04	9,708	92	5.00	122
3	12/31/04	3/15/05	9,708	74	5.00	98
4	12/15/04	12/31/04	9,708	16	5.00	21
4	12/31/04	3/15/05	9,708	74	5.00	98
TOTAL PENALTY						1,112
						=====

Form **4562****Depreciation and Amortization**

OMB No. 1545-0172

(Including Information on Listed Property)

**2004**Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

▶ Attach to your tax return.

Attachment  
Sequence No. **67**

Name(s) shown on return

**ENERGY MERCHANT CORP**

Identifying number

**13-3855623**

Business or activity to which this form relates

**REGULAR DEPRECIATION****Part I Election To Expense Certain Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See page 2 of the instructions for a higher limit for certain businesses	1	<b>102,000</b>
2	Total cost of section 179 property placed in service (see page 3 of the instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	<b>410,000</b>
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 3 of the instructions	5	

(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6		
7	Listed property. Enter the amount from line 29	7
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8
9	Tentative deduction. Enter the smaller of line 5 or line 8	9
10	Carryover of disallowed deduction from line 13 of your 2003 Form 4562	10
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12
13	Carryover of disallowed deduction to 2005. Add lines 9 and 10, less line 12	13

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)**

14	Special depreciation allowance for qualified prop. (other than listed prop.) placed in service during the tax year (see pg. 3 of the instructions)	14	
15	Property subject to section 168(f)(1) election (see page 4 of the instructions)	15	
16	Other depreciation (including ACRS) (see page 4 of the instructions)	16	

**Part III MACRS Depreciation (Do not include listed property.) (See page 5 of the instructions.)****Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2004	17	<b>41,618</b>
18	If you are electing under section 168(f)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here		

**Section B-Assets Placed in Service During 2004 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only-see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

**Section C-Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

**Part IV Summary (see page 8 of the instructions)**

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations-see instr.	22	<b>41,618</b>
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4562** (2004)

DAA

**THERE ARE NO AMOUNTS FOR PAGE 2**



12088001 ENERGY MERCHANT CORP

13-3855623

FYE: 12/31/2004

# CONSOLIDATED REPORT FORM 1120, PAGE 1

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	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855623
1 A GROSS RECEIPTS OR SALES			
1 B LESS RETURNS AND ALLOWANCES			
1 C NET RECEIPTS OR SALES			
2 COST OF GOODS SOLD			
3 GROSS PROFIT			
4 DIVIDENDS	1,000,000		1,000,000
5 INTEREST	26,865		26,865
6 GROSS RENTS			
7 GROSS ROYALTIES			
8 CAPITAL GAIN NET INCOME	5,918,000		5,918,000
9 NET GAIN OR (LOSS) FROM FORM 4797			
10 OTHER INCOME	-398,355		-398,355
11 TOTAL INCOME	6,546,510		6,546,510
12 COMPENSATION OF OFFICERS	918,188		918,188
13 SALARIES AND WAGES	423,558		423,558
14 REPAIRS AND MAINTENANCE	2,858		2,858
15 BAD DEBTS			
16 RENTS	367,578		367,578
17 TAXES AND LICENSES	147,773		147,773
18 INTEREST			
19 CHARITABLE CONTRIBUTIONS			
20 DEPRECIATION	41,618		41,618
21 A LESS DEPRECIATION CLAIMED ON SCH A AND ELSEWHERE			
21 B PAGE 1 DEPRECIATION	41,618		41,618
22 DEPLETION			
23 ADVERTISING			
24 PENSION, PROFIT-SHARING, ETC., PLANS	102,927		102,927
25 EMPLOYEE BENEFIT PROGRAMS	181,990		181,990
26 OTHER DEDUCTIONS	1,171,583		1,171,583
27 TOTAL DEDUCTIONS	3,358,073		3,358,073
28 TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS	3,188,437		3,188,437
29 A NOL DEDUCTION	3,546,110	-1,357,673	2,188,437
29 B SPECIAL DEDUCTIONS	1,000,000		1,000,000
30 TAXABLE INCOME	-1,357,673	1,357,673	0

12088001 ENERGY MERCHANT CORP

13-3855623

FYE: 12/31/2004

9/14/2005 3:55 PM

# **CONSOLIDATED REPORT** **FORM 1120, PAGE 1**

	PARENT CLIENT ENERGY MERCHANT CORP	SUBSIDIARY CLIENT POWERINE OIL COMPANY	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC
	13-3855623	95-4584080	95-4059009	13-3817433	13-4104812
1 A GROSS RECEIPTS OR SALES					
1 B LESS RETURNS AND ALLOWANCES					
1 C NET RECEIPTS OR SALES					
2 COST OF GOODS SOLD					
3 GROSS PROFIT					
4 DIVIDENDS	1,000,000				
5 INTEREST	20,613				6,252
6 GROSS RENTS					
7 GROSS ROYALTIES					
8 CAPITAL GAIN NET INCOME					5,918,000
9 NET GAIN OR (LOSS) FROM FORM 4797					
10 OTHER INCOME	1,630,550	349,237			-2,378,142
11 TOTAL INCOME	2,651,163	349,237			3,546,110
12 COMPENSATION OF OFFICERS	918,188				
13 SALARIES AND WAGES	423,558				
14 REPAIRS AND MAINTENANCE	2,858				
15 BAD DEBTS					
16 RENTS	367,578				
17 TAXES AND LICENSES	147,773				
18 INTEREST					
19 CHARITABLE CONTRIBUTIONS					
20 DEPRECIATION	41,618				
21 A LESS DEPRECIATION CLAIMED ON SCH A AND ELSEWHERE					
21 B PAGE 1 DEPRECIATION	41,618				
22 DEPLETION					
23 ADVERTISING					
24 PENSION, PROFIT-SHARING, ETC., PLANS	102,927				
25 EMPLOYEE BENEFIT PROGRAMS	181,990				
26 OTHER DEDUCTIONS	1,171,583				
27 TOTAL DEDUCTIONS	3,354,073				
28 TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS	-706,910	349,237	0	0	3,546,110
29 A NOL DEDUCTION					3,546,110
29 B SPECIAL DEDUCTIONS	1,000,000				
30 TAXABLE INCOME	-1,706,910	349,237	0	0	0

12088001 ENERGY MERCHANT CORP  
13-3855623  
FYE: 12/31/2004

9/14/2005 3:55 PM

**CONSOLIDATED REPORT**  
**1120 SCHEDULE C**

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855623
<b>DIVIDENDS RECEIVED</b>			
1 DOMESTIC CORPS - SUBJECT TO 70% DED			
2 DOMESTIC CORPS - SUBJECT TO 80% DED			
3 DEBT FINANCED STOCK - DOM AND FGN			
4 PREF. STOCK < 20% OWNED PUBLIC UTIL			
5 PREF. STOCK >= 20% OWNED PUBLIC UTIL			
6 < 20% FOREIGN CORPS & FSCS - 70%			
7 >= 20% FOREIGN CORPS & FSCS - 80%			
8 WHOLLY OWNED FGN SUBSIDIARIES - 100%			
10 DOMESTIC CORPS - SMALL BUS INV ACT			
11 AFFILIATED GROUP MEMBERS AND CERTAIN FSCS - 100%	1,000,000		1,000,000
12 CONTROLLED FOREIGN CORPORATIONS - 85%			
13 FOREIGN CORPS NOT INCLUDED ABOVE			
14 CONTROLLED FGN CORPS UNDER SUBPART F			
15 FOREIGN DIVIDEND GROSS-UP			
16 IC-DISC & FORMER DISC DIV NOT INCLUDED ABOVE			
17 OTHER DIVIDENDS			
19 TOTAL DIVIDENDS	1,000,000		1,000,000
<b>SPECIAL DEDUCTIONS</b>			
1 DOMESTIC CORPS - SUBJECT TO 70% DED			
2 DOMESTIC CORPS - SUBJECT TO 80% DED			
3 DEBT FINANCED STOCK - DOM AND FGN			
4 PREF. STOCK < 20% OWNED PUBLIC UTIL			
5 PREF. STOCK >= 20% OWNED PUBLIC UTIL			
6 < 20% FOREIGN CORPS & FSCS - 70%			
7 >= 20% FOREIGN CORPS & FSCS - 80%			
8 WHOLLY OWNED FGN SUBSIDIARIES - 100%			
9 TOTAL LINES 1 THROUGH 8			
10 DOMESTIC CORPS - SMALL BUS INV ACT			
11 AFFILIATED GROUP MEMBERS AND CERTAIN FSCS - 100%	1,000,000		1,000,000
12 CONTROLLED FOREIGN CORPORATIONS - 85%			
18 DED FOR DIV PAID ON PREFERRED STOCK OF PUBLIC UTILITIES			
20 TOTAL SPECIAL DEDUCTIONS	1,000,000		1,000,000

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## CONSOLIDATED REPORT

## 1120 SCHEDULE C

	PARENT CLIENT ENERGY MERCHANT CORP	SUBSIDIARY CLIENT POWERINE OIL COMPANY	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC
	13-3855623	95-4564080	95-4059009	13-3817433	13-4104912
<b>DIVIDENDS RECEIVED</b>					
1	DOMESTIC CORPS - SUBJECT TO 70% DED				
2	DOMESTIC CORPS - SUBJECT TO 80% DED				
3	DEBT FINANCED STOCK - DOM AND FGN				
4	PREF. STOCK < 20% OWNED PUBLIC UTIL				
5	PREF. STOCK >= 20% OWNED PUBLIC UTIL				
6	< 20% FOREIGN CORPS & FSCS - 70%				
7	>= 20% FOREIGN CORPS & FSCS - 80%				
8	WHOLLY OWNED FGN SUBSIDIARIES - 100%				
10	DOMESTIC CORPS - SMALL BUS INV ACT				
11	AFFILIATED GROUP MEMBERS AND CERTAIN FSCS - 100%	1,000,000			
12	CONTROLLED FOREIGN CORPORATIONS - 85%				
13	FOREIGN CORPS NOT INCLUDED ABOVE				
14	CONTROLLED FGN CORPS UNDER SUBPART F				
15	FOREIGN DIVIDEND GROSS-UP				
16	IC-DISC & FORMER DISC DIV NOT INCLUDED ABOVE				
17	OTHER DIVIDENDS				
19	<b>TOTAL DIVIDENDS</b>	<u>1,000,000</u>			
<b>SPECIAL DEDUCTIONS</b>					
1	DOMESTIC CORPS - SUBJECT TO 70% DED				
2	DOMESTIC CORPS - SUBJECT TO 80% DED				
3	DEBT FINANCED STOCK - DOM AND FGN				
4	PREF. STOCK < 20% OWNED PUBLIC UTIL				
5	PREF. STOCK >= 20% OWNED PUBLIC UTIL				
6	< 20% FOREIGN CORPS & FSCS - 70%				
7	>= 20% FOREIGN CORPS & FSCS - 80%				
8	WHOLLY OWNED FGN SUBSIDIARIES - 100%				
9	TOTAL LINES 1 THROUGH 8				
10	DOMESTIC CORPS - SMALL BUS INV ACT				
11	AFFILIATED GROUP MEMBERS AND CERTAIN FSCS - 100%	1,000,000			
12	CONTROLLED FOREIGN CORPORATIONS - 85%				
18	DED FOR DIV PAID ON PREFERRED STOCK OF PUBLIC UTILITIES				
20	<b>TOTAL SPECIAL DEDUCTIONS</b>	<u>1,000,000</u>			

## CONSOLIDATED REPORT

## 1120 SCHEDULE L BEGINNING OF TAX YEAR

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855823
<b>ASSETS</b>			
1 CASH	485,927	2	485,929
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE			
2 B LESS ALLOWANCE FOR BAD DEBTS			
3 INVENTORIES			
4 U.S. GOVERNMENT OBLIGATIONS			
5 TAX-EXEMPT SECURITIES			
6 OTHER CURRENT ASSETS	2,426,276		2,426,276
7 LOANS TO SHAREHOLDERS	881,745	-881,745	
8 MORTGAGE AND REAL ESTATE LOANS			
9 OTHER INVESTMENTS	-823,759	285,574	-538,185
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	590,258		590,258
10 B LESS ACCUMULATED DEPRECIATION	301,496		301,496
11 A DEPLETABLE ASSETS			
11 B LESS ACCUMULATED DEPLETION			
12 LAND (NET OF ANY AMORTIZATION)			
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)			
13 B LESS ACCUMULATED AMORTIZATION			
14 OTHER ASSETS	155,699		155,699
15 TOTAL ASSETS	3,414,650	-596,169	2,818,481
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
16 ACCOUNTS PAYABLE	3,689,260		3,689,260
17 MORTGAGES, NOTES, AND BONDS PAYABLE IN LESS THAN 1 YEAR			
18 OTHER CURRENT LIABILITIES	968,987	-881,745	87,242
19 LOANS FROM SHAREHOLDERS	230,000		230,000
20 MORTGAGES, NOTES, AND BONDS PAYABLE IN 1 YEAR OR MORE	8,487,170		8,487,170
21 OTHER LIABILITIES			
22 A CAPITAL STOCK - PREFERRED			
22 B CAPITAL STOCK - COMMON	3,350,501	-501	3,350,000
23 ADDITIONAL PAID-IN CAPITAL	23,692,904	-23,343,204	349,700
24 RETAINED EARNINGS - APPROPRIATED			
25 RETAINED EARNINGS - UNAPPROPRIATED	-36,304,172	23,629,281	-12,674,891
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY			
27 LESS COST OF TREASURY STOCK	700,000		700,000
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,414,650	-596,169	2,818,481

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# **CONSOLIDATED REPORT** **1120 SCHEDULE L BEGINNING OF TAX YEAR**

	PARENT CLIENT ENERGY MERCHANT CORP 13-3855623	SUBSIDIARY CLIENT POWERINE OIL COMPANY 95-4564080	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION 95-4058009	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC 13-3817433	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC 13-4104912
<b>ASSETS</b>					
1 CASH	485,927				
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE					
2 B LESS ALLOWANCE FOR BAD DEBTS					
3 INVENTORIES					
4 U.S. GOVERNMENT OBLIGATIONS					
5 TAX-EXEMPT SECURITIES					
6 OTHER CURRENT ASSETS	2,426,276				
7 LOANS TO SHAREHOLDERS		881,745			
8 MORTGAGE AND REAL ESTATE LOANS					
9 OTHER INVESTMENTS	461,815				-1,285,574
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	590,258				
10 B LESS ACCUMULATED DEPRECIATION	301,496				
11 A DEPLETABLE ASSETS					
11 B LESS ACCUMULATED DEPLETION					
12 LAND (NET OF ANY AMORTIZATION)					
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)					
13 B LESS ACCUMULATED AMORTIZATION					
14 OTHER ASSETS	155,699				
15 TOTAL ASSETS	<u>3,818,479</u>	<u>881,745</u>	<u>0</u>	<u>0</u>	<u>-1,285,574</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
16 ACCOUNTS PAYABLE		3,689,260			
17 MORTGAGES, NOTES, AND BONDS PAYABLE IN LESS THAN 1 YEAR					
18 OTHER CURRENT LIABILITIES	968,987				
19 LOANS FROM SHAREHOLDERS	230,000				
20 MORTGAGES, NOTES, AND BONDS PAYABLE IN 1 YEAR OR MORE		8,487,170			
21 OTHER LIABILITIES					
22 A CAPITAL STOCK - PREFERRED					
22 B CAPITAL STOCK - COMMON	3,350,000	1			500
23 ADDITIONAL PAID-IN CAPITAL	349,700	999,999			22,343,205
24 RETAINED EARNINGS - APPROPRIATED					
25 RETAINED EARNINGS - UNAPPROPRIATED	-380,208	-12,294,685			-23,629,279
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY					
27 LESS COST OF TREASURY STOCK	700,000				
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,818,479</u>	<u>881,745</u>	<u>0</u>	<u>0</u>	<u>-1,285,574</u>

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# CONSOLIDATED REPORT 1120 SCHEDULE L END OF TAX YEAR

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855623
<b>ASSETS</b>			
1 CASH	240,207	1	240,208
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE			
2 B LESS ALLOWANCE FOR BAD DEBTS			
3 INVENTORIES			
4 U.S. GOVERNMENT OBLIGATIONS			
5 TAX-EXEMPT SECURITIES			
6 OTHER CURRENT ASSETS	7,849,530		7,849,530
7 LOANS TO SHAREHOLDERS	881,745	-881,745	
8 MORTGAGE AND REAL ESTATE LOANS			
9 OTHER INVESTMENTS	3,513,428	-2,256,713	1,256,715
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	590,258		590,258
10 B LESS ACCUMULATED DEPRECIATION	389,216		389,216
11 A DEPLETABLE ASSETS			
11 B LESS ACCUMULATED DEPLETION			
12 LAND (NET OF ANY AMORTIZATION)			
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)			
13 B LESS ACCUMULATED AMORTIZATION			
14 OTHER ASSETS	155,699		155,699
15 TOTAL ASSETS	12,841,651	-3,138,457	9,703,194
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
16 ACCOUNTS PAYABLE	3,370,232	-1	3,370,231
17 MORTGAGES, NOTES, AND BONDS PAYABLE IN LESS THAN 1 YEAR			
18 OTHER CURRENT LIABILITIES	6,340,572	-881,745	5,458,827
19 LOANS FROM SHAREHOLDERS			
20 MORTGAGES, NOTES, AND BONDS PAYABLE IN 1 YEAR OR MORE	8,487,170		8,487,170
21 OTHER LIABILITIES			
22 A CAPITAL STOCK - PREFERRED			
22 B CAPITAL STOCK - COMMON	3,350,501	-501	3,350,000
23 ADDITIONAL PAID-IN CAPITAL	23,692,904	-23,343,204	349,700
24 RETAINED EARNINGS - APPROPRIATED			
25 RETAINED EARNINGS - UNAPPROPRIATED	-31,699,728	21,086,994	-10,612,734
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY			
27 LESS COST OF TREASURY STOCK	700,000		700,000
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,841,651	-3,138,457	9,703,194

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# **CONSOLIDATED REPORT** **1120 SCHEDULE L END OF TAX YEAR**

	PARENT CLIENT ENERGY MERCHANT CORP 13-3855623	SUBSIDIARY CLIENT POWERINE OIL COMPANY 95-4564080	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION 95-4059009	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC 13-3817433	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC 13-4104912
<b>ASSETS</b>					
1 CASH	240,207				
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE					
2 B LESS ALLOWANCE FOR BAD DEBTS					
3 INVENTORIES					
4 U.S. GOVERNMENT OBLIGATIONS					
5 TAX-EXEMPT SECURITIES					
6 OTHER CURRENT ASSETS	7,849,530				
7 LOANS TO SHAREHOLDERS		881,745			
8 MORTGAGE AND REAL ESTATE LOANS					
9 OTHER INVESTMENTS	2,256,715				1,256,713
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	590,258				
10 B LESS ACCUMULATED DEPRECIATION	389,216				
11 A DEPLETABLE ASSETS					
11 B LESS ACCUMULATED DEPLETION					
12 LAND (NET OF ANY AMORTIZATION)					
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)					
13 B LESS ACCUMULATED AMORTIZATION					
14 OTHER ASSETS	155,699				
15 TOTAL ASSETS	10,703,193	881,745	0	0	1,256,713
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
16 ACCOUNTS PAYABLE	30,209	3,340,023			
17 MORTGAGES, NOTES, AND BONDS PAYABLE IN LESS THAN 1 YEAR					
18 OTHER CURRENT LIABILITIES	6,340,572				
19 LOANS FROM SHAREHOLDERS					
20 MORTGAGES, NOTES, AND BONDS PAYABLE IN 1 YEAR OR MORE		8,487,170			
21 OTHER LIABILITIES					
22 A CAPITAL STOCK - PREFERRED					
22 B CAPITAL STOCK - COMMON	3,350,000	1			500
23 ADDITIONAL PAID-IN CAPITAL	349,700	999,999			22,343,205
24 RETAINED EARNINGS - APPROPRIATED					
25 RETAINED EARNINGS - UNAPPROPRIATED	1,332,712	-11,945,448			-21,086,992
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY					
27 LESS COST OF TREASURY STOCK	700,000				
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,703,193	881,745	0	0	1,256,713



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**CONSOLIDATED REPORT**  
**1120 SCHEDULE M-2**

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP
			13-3855623
SCHEDULE M-2			
1 BALANCE AT BEGINNING OF YEAR	-36,304,172	23,629,281	-12,674,891
2 NET INCOME (LOSS) PER BOOKS	5,604,444	-3,542,287	2,062,157
3 OTHER INCREASES			
4 TOTAL LINES 1 THROUGH 3	-30,699,728	20,086,994	-10,612,734
5 DISTRIBUTIONS:			
5 A CASH	1,000,000	-1,000,000	
5 B STOCK			
5 C PROPERTY			
6 OTHER DECREASES			
7 TOTAL LINES 5 AND 6	1,000,000	-1,000,000	
8 BALANCE AT END OF YEAR	-31,699,728	21,086,994	-10,612,734

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# **CONSOLIDATED REPORT** **1120 SCHEDULE M-2**

	PARENT CLIENT ENERGY MERCHANT CORP 13-3855623	SUBSIDIARY CLIENT POWERINE OIL COMPANY 95-4564080	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION 95-4058009	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC 13-3817433	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC 13-4104812
SCHEDULE M-2					
1 BALANCE AT BEGINNING OF YEAR	-380,208	-12,294,685	0	0	-23,629,279
2 NET INCOME (LOSS) PER BOOKS	1,712,920	349,237			3,542,287
3 OTHER INCREASES					
4 TOTAL LINES 1 THROUGH 3	1,332,712	-11,945,448			-20,086,992
5 DISTRIBUTIONS:					
5 A CASH					1,000,000
5 B STOCK					
5 C PROPERTY					
6 OTHER DECREASES					
7 TOTAL LINES 5 AND 6					1,000,000
8 BALANCE AT END OF YEAR	1,332,712	-11,945,448	0	0	-21,086,992

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# **CONSOLIDATED REPORT** **SCHEDULE D**

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855623
<b>SHORT-TERM CAPITAL GAINS AND LOSSES</b>			
1 SHORT-TERM CAPITAL GAIN OR (LOSS)			
2 GAIN FROM INSTALLMENT SALES			
3 GAIN OR (LOSS) FROM FORM 8824			
4 UNUSED CAPITAL LOSS CARRYOVER			
5 NET SHORT-TERM CAPITAL GAIN OR (LOSS)			
<b>LONG-TERM CAPITAL GAINS AND LOSSES</b>			
6 LONG-TERM CAPITAL GAIN OR (LOSS)	5,918,000		5,918,000
7 GAIN FROM FORM 4797, PART I			
8 GAIN FROM INSTALLMENT SALES			
9 GAIN OR (LOSS) FROM FORM 8824			
10 CAPITAL GAIN DISTRIBUTIONS			
11 NET LONG-TERM CAPITAL GAIN OR (LOSS)	5,918,000		5,918,000
<b>PART III - SUMMARY</b>			
12 SHORT-TERM GAIN OVER LONG-TERM LOSS			
13 LONG-TERM GAIN OVER SHORT-TERM LOSS	5,918,000		5,918,000
14 NET CAPITAL GAINS	5,918,000		5,918,000

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# CONSOLIDATED REPORT SCHEDULE D

	PARENT CLIENT ENERGY MERCHANT CORP 13-3855623	SUBSIDIARY CLIENT POWERINE OIL COMPANY 95-4564080	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION 95-4059009	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC 13-3817433	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC 13-4104912
SHORT-TERM CAPITAL GAINS AND LOSSES					
1 SHORT-TERM CAPITAL GAIN OR (LOSS)					
2 GAIN FROM INSTALLMENT SALES					
3 GAIN OR (LOSS) FROM FORM 8824					
4 UNUSED CAPITAL LOSS CARRYOVER					
5 NET SHORT-TERM CAPITAL GAIN OR (LOSS)					
LONG-TERM CAPITAL GAINS AND LOSSES					
6 LONG-TERM CAPITAL GAIN OR (LOSS)					5,918,000
7 GAIN FROM FORM 4797, PART I					
8 GAIN FROM INSTALLMENT SALES					
9 GAIN OR (LOSS) FROM FORM 8824					
10 CAPITAL GAIN DISTRIBUTIONS					
11 NET LONG-TERM CAPITAL GAIN OR (LOSS)					5,918,000
PART III - SUMMARY					
12 SHORT-TERM GAIN OVER LONG-TERM LOSS					
13 LONG-TERM GAIN OVER SHORT-TERM LOSS					5,918,000
14 NET CAPITAL GAINS					5,918,000

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# CONSOLIDATED REPORT FORM 4562

	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP
			<u>13-3855623</u>
<b>PART I - SECTION 179</b>			
2 TOTAL COST OF SECTION 179			
PROPERTY PLACED IN SERVICE			
6 NONLISTED PROPERTY			
7 LISTED PROPERTY			
8 TOTAL ELECTED COST			
9 TENTATIVE DEDUCTION			
10 CARRYOVER OF DISALLOWED			
DEDUCTION FROM PRIOR YEAR			
12 SECTION 179 EXPENSE DEDUCTION			
13 CARRYOVER OF DISALLOWED			
DEDUCTION TO NEXT YEAR			
<b>PART II - SPECIAL DEPRECIATION ALLOWANCE AND OTHER DEPRECIATION</b>			
14 SPECIAL DEPRECIATION ALLOWANCE			
15 PROPERTY SUBJECT TO 168(F) (1)			
16 OTHER DEPRECIATION (INCLUDING ACRS)			
<b>PART III - MACRS DEPRECIATION</b>			
17 MACRS DEDUCTIONS FOR ASSETS PLACED			
IN SERVICE BEFORE CURRENT YEAR	41,618		41,618
<b>GENERAL DEPRECIATION SYSTEM (GDS)</b>			
19 A 3-YEAR PROPERTY			
19 B 5-YEAR PROPERTY			
19 C 7-YEAR PROPERTY			
19 D 10-YEAR PROPERTY			
19 E 15-YEAR PROPERTY			
19 F 20-YEAR PROPERTY			
19 G 25-YEAR PROPERTY			
19 H 27.5-YEAR RESIDENTIAL RENTAL PROPERTY			
19 I NONRESIDENTIAL REAL PROPERTY			
<b>ALTERNATIVE DEPRECIATION SYSTEM (ADS)</b>			
20 A CLASS LIFE			
20 B 12-YEAR			
20 C 40-YEAR			
<b>PART IV - SUMMARY</b>			
21 LISTED PROPERTY			
22 TOTAL DEPRECIATION	41,618		41,618
23 PORTION OF BASIS ATTRIBUTABLE			
TO 263A COSTS			
42 AMORTIZATION - CURRENT YEAR			
43 AMORTIZATION - PRIOR YEARS			
44 TOTAL AMORTIZATION			

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# CONSOLIDATED REPORT FORM 4562

PARENT CLIENT ENERGY MERCHANT CORP	SUBSIDIARY CLIENT POWERINE OIL COMPANY	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC
13-3855623	95-4564080	95-4059009	13-3817433	13-4104912

## PART I - SECTION 179

- 2 TOTAL COST OF SECTION 179  
PROPERTY PLACED IN SERVICE
- 6 NONLISTED PROPERTY
- 7 LISTED PROPERTY
- 8 TOTAL ELECTED COST
- 9 TENTATIVE DEDUCTION
- 10 CARRYOVER OF DISALLOWED  
DEDUCTION FROM PRIOR YEAR
- 12 SECTION 179 EXPENSE DEDUCTION
- 13 CARRYOVER OF DISALLOWED  
DEDUCTION TO NEXT YEAR

PART II - SPECIAL DEPRECIATION ALLOWANCE  
AND OTHER DEPRECIATION

- 14 SPECIAL DEPRECIATION ALLOWANCE
- 15 PROPERTY SUBJECT TO 168(F) (1)
- 16 OTHER DEPRECIATION (INCLUDING ACRS)

## PART III - MACRS DEPRECIATION

- 17 MACRS DEDUCTIONS FOR ASSETS PLACED  
IN SERVICE BEFORE CURRENT YEAR

41,618

## GENERAL DEPRECIATION SYSTEM (GDS)

- 19 A 3-YEAR PROPERTY
- 19 B 5-YEAR PROPERTY
- 19 C 7-YEAR PROPERTY
- 19 D 10-YEAR PROPERTY
- 19 E 15-YEAR PROPERTY
- 19 F 20-YEAR PROPERTY
- 19 G 25-YEAR PROPERTY
- 19 H 27.5-YEAR RESIDENTIAL RENTAL PROPERTY
- 19 I NONRESIDENTIAL REAL PROPERTY

## ALTERNATIVE DEPRECIATION SYSTEM (ADS)

- 20 A CLASS LIFE
- 20 B 12-YEAR
- 20 C 40-YEAR

## PART IV - SUMMARY

- 21 LISTED PROPERTY
- 22 TOTAL DEPRECIATION
- 23 PORTION OF BASIS ATTRIBUTABLE  
TO 263A COSTS
- 42 AMORTIZATION - CURRENT YEAR
- 43 AMORTIZATION - PRIOR YEARS
- 44 TOTAL AMORTIZATION

41,618

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## CONSOLIDATED REPORT

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	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP 13-3855623
1 TAXABLE INCOME/(LOSS) BEFORE NOL DEDUCTION	2,188,437		2,188,437
ADJUSTMENTS AND PREFERENCES			
2 A DEPRECIATION OF POST-1986 PROPERTY	-15,205		-15,205
2 B AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES			
2 C AMORTIZATION OF MINING EXPLORATION AND DEVELOPMENT COSTS			
2 D AMORTIZATION OF CIRCULATION EXPENDITURES			
2 E ADJUSTED GAIN OR LOSS			
2 F LONG-TERM CONTRACTS			
2 G MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS			
2 H SEC 833(B) DEDUCTION			
2 I TAX SHELTER FARM ACTIVITIES			
2 J PASSIVE ACTIVITIES			
2 K LOSS LIMITATIONS			
2 L DEPLETION			
2 M TAX-EXEMPT INTEREST FROM PRIVATE ACTIVITY BONDS			
2 N INTANGIBLE DRILLING COSTS			
2 O OTHER ADJUSTMENTS			
3 PREADJUSTMENT AMTI	2,173,232		2,173,232
ADJUSTED CURRENT EARNINGS (ACE) ADJUSTMENT			
4 A ACE FROM LINE 10 OF WORKSHEET	2,173,232		2,173,232
4 B LINE 4A LESS LINE 3			
4 C LINE 4B MULTIPLIED BY 75%			
4 D INCREASE IN AMTI FROM PRIOR YEARS' ACE ADJUSTMENTS			
4 E ACE ADJUSTMENT			
5 TOTAL LINES 3 AND 4E	2,173,232		2,173,232
6 AMT NOL DEDUCTION	3,191,499	-1,235,590	1,955,909
7 ALTERNATIVE MINIMUM TAXABLE INCOME	-1,018,267	1,235,590	217,323

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## CONSOLIDATED REPORT

4626 - AMT

	PARENT CLIENT ENERGY MERCHANT CORP 13-3855623	SUBSIDIARY CLIENT POWERINE OIL COMPANY 95-4564080	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION 95-4058008	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC 13-3817433	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC 13-4104812
1 TAXABLE INCOME/(LOSS) BEFORE NOL DEDUCTION ADJUSTMENTS AND PREFERENCES	-1,706,910	349,237	0	0	3,546,110
2 A DEPRECIATION OF POST-1986 PROPERTY	-15,205				
2 B AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES					
2 C AMORTIZATION OF MINING EXPLORATION AND DEVELOPMENT COSTS					
2 D AMORTIZATION OF CIRCULATION EXPENDITURES					
2 E ADJUSTED GAIN OR LOSS					
2 F LONG-TERM CONTRACTS					
2 G MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS					
2 H SEC 833(B) DEDUCTION					
2 I TAX SHELTER FARM ACTIVITIES					
2 J PASSIVE ACTIVITIES					
2 K LOSS LIMITATIONS					
2 L DEPLETION					
2 M TAX-EXEMPT INTEREST FROM PRIVATE ACTIVITY BONDS					
2 N INTANGIBLE DRILLING COSTS					
2 O OTHER ADJUSTMENTS					
3 PREADJUSTMENT AMTI	-1,722,115	349,237			3,546,110
ADJUSTED CURRENT EARNINGS (ACE) ADJUSTMENT					
4 A ACE FROM LINE 10 OF WORKSHEET	-1,722,115	349,237			3,546,110
4 B LINE 4A LESS LINE 3					
4 C LINE 4B MULTIPLIED BY 75%					
4 D INCREASE IN AMTI FROM PRIOR YEARS' ACE ADJUSTMENTS					
4 E ACE ADJUSTMENT					
5 TOTAL LINES 3 AND 4E	-1,722,115	349,237			3,546,110
6 AMT NOL DEDUCTION					3,191,499
7 ALTERNATIVE MINIMUM TAXABLE INCOME	-1,722,115	349,237	0	0	354,611



12088001 ENERGY MERCHANT CORP

13-3855623

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# CONSOLIDATED REPORT 4626.ACE WORKSHEET

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	COMBINED TOTALS	ADJUSTMENTS	CONSOLIDATED CLIENT ENERGY MERCHANT CORP
			13-3855623
1 PREADJUSTMENT AMTI	2,173,232		2,173,232
ACE DEPRECIATION ADJUSTMENT			
2 A AMT DEPRECIATION	56,823		56,823
2 B ACE DEPRECIATION:			
2 B (1) POST-1993 PROPERTY	56,823		56,823
2 B (2) POST-1989, PRE-1994 PROPERTY			
2 B (3) PRE-1990 MACRS PROPERTY			
2 B (4) PRE-1990 ORIGINAL ACRS PROPERTY			
2 B (5) SECTION 168(F) (1) THROUGH (4)			
2 B (6) OTHER PROPERTY			
2 B (7) TOTAL ACE DEPRECIATION	56,823		56,823
2 C ACE DEPRECIATION ADJUSTMENT			
ITEMS INCLUDED IN EARNINGS AND PROFITS (E&P)			
3 A TAX-EXEMPT INTEREST INCOME			
3 B LIFE INSURANCE DEATH BENEFITS			
3 C OTHER LIFE INSURANCE DISTRIBUTIONS			
3 D INSIDE BUILDUP OF UNDISTRIBUTED INCOME			
3 E OTHER ITEMS			
3 F TOTAL INCREASE DUE TO E&P ITEMS			
DISALLOWANCE OF ITEMS NOT DEDUCTIBLE FROM E&P			
4 A CERTAIN DIVIDENDS RECEIVED			
4 B PUBLIC UTILITY DIVIDENDS			
4 C DIVIDENDS PAID TO AN ESOP			
4 D NONPATRONAGE DIVIDENDS			
4 E OTHER ITEMS			
4 F TOT DUE TO DISALLOW OF NONDEDUCT E&P ITEMS			
OTHER E&P ADJUSTMENTS BASED ON E&P RULES			
5 A INTANGIBLE DRILLING COSTS			
5 B CIRCULATION EXPENDITURES			
5 C ORGANIZATIONAL EXPENDITURES			
5 D LIFO INVENTORY ADJUSTMENTS			
5 E INSTALLMENT SALES			
5 F TOTAL OTHER E&P ADJUSTMENTS			
6 LOSS DISALLOWANCE ON EXCHANGE OF DEBT POOLS			
7 ACQUISITION EXPENSES-LIFE INSURANCE CO			
8 DEPLETION			
9 BASIS ADJUSTMENT FROM SALE OF PROPERTY			
10 ADJUSTED CURRENT EARNINGS	2,173,232		2,173,232

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# CONSOLIDATED REPORT 4626 ACE WORKSHEET

	PARENT CLIENT ENERGY MERCHANT CORP	SUBSIDIARY CLIENT POWERINE OIL COMPANY	SUBSIDIARY CLIENT ANGLO PETROLEUM CORPORATION	SUBSIDIARY CLIENT CORPORATE DEVELOPMENT INC	SUBSIDIARY CLIENT ENERGY MERCHANT HOLDING INC
	13-3855623	95-4584080	95-4059009	13-3817433	13-4104912
1 PREADJUSTMENT AMTI	-1,722,115	349,237			3,546,110
ACE DEPRECIATION ADJUSTMENT					
2 A AMT DEPRECIATION	56,823				
2 B ACE DEPRECIATION:					
2 B (1) POST-1993 PROPERTY	56,823				
2 B (2) POST-1989, PRE-1994 PROPERTY					
2 B (3) PRE-1990 MACRS PROPERTY					
2 B (4) PRE-1990 ORIGINAL ACRS PROPERTY					
2 B (5) SECTION 168(F)(1) THROUGH (4)					
2 B (6) OTHER PROPERTY					
2 B (7) TOTAL ACE DEPRECIATION	56,823				
2 C ACE DEPRECIATION ADJUSTMENT					
ITEMS INCLUDED IN EARNINGS AND PROFITS (E&P)					
3 A TAX-EXEMPT INTEREST INCOME					
3 B LIFE INSURANCE DEATH BENEFITS					
3 C OTHER LIFE INSURANCE DISTRIBUTIONS					
3 D INSIDE BUILDUP OF UNDISTRIBUTED INCOME					
3 E OTHER ITEMS					
3 F TOTAL INCREASE DUE TO E&P ITEMS					
DISALLOWANCE OF ITEMS NOT DEDUCTIBLE FROM E&P					
4 A CERTAIN DIVIDENDS RECEIVED					
4 B PUBLIC UTILITY DIVIDENDS					
4 C DIVIDENDS PAID TO AN ESOP					
4 D NONPATRONAGE DIVIDENDS					
4 E OTHER ITEMS					
4 F TOT DUE TO DISALLOW OF NONDEDUCT E&P ITEMS					
OTHER E&P ADJUSTMENTS BASED ON E&P RULES					
5 A INTANGIBLE DRILLING COSTS					
5 B CIRCULATION EXPENDITURES					
5 C ORGANIZATIONAL EXPENDITURES					
5 D LIPO INVENTORY ADJUSTMENTS					
5 E INSTALLMENT SALES					
5 F TOTAL OTHER E&P ADJUSTMENTS					
6 LOSS DISALLOWANCE ON EXCHANGE OF DEBT POOLS					
7 ACQUISITION EXPENSES-LIFE INSURANCE CO					
8 DEPLETION					
9 BASIS ADJUSTMENT FROM SALE OF PROPERTY					
10 ADJUSTED CURRENT EARNINGS	-1,722,115	349,237			3,546,110

Form <b>1120</b>	<b>Consolidated NOL Carryover Worksheet - Regular Tax</b>	<b>2004</b>
For calendar year 2004 or tax year beginning _____, ending _____		

Name <b>ENERGY MERCHANT CORP</b>	Employer Identification Number <b>13-3855623</b>
-------------------------------------	---

Preceding Taxable Year	NOL Before SRLY Limit/ NOL After SRLY Limit	Consolidated Adjustments	Consolidated NOL Available	NOL Carryover Utilized	Carryover to Next Year
15th 12/31/89					
14th 12/31/90					
13th 12/31/91					
12th 12/31/92					
11th 12/31/93					
10th 12/31/94					
9th 12/31/95					
8th 12/31/96					
7th 12/31/97					
6th 12/31/98					
5th 12/31/99					
4th 12/31/00					
3rd 12/31/01					
2nd 12/31/02					
1st 12/31/03	8,626,375 8,626,375		8,626,375	2,188,437	6,437,938
NOL Carryover Available To Current Year			8,626,375		
Current Year Income/(Loss)	0 2,188,437			2,188,437	0
NOL Carryover Available To Next Year					6,437,938

**Consolidated NOL Carryover Worksheet - AMT**Form **1120****2004**

For calendar year 2004 or tax year beginning

, ending

Name

Employer Identification Number

**ENERGY MERCHANT CORP****13-3855623**

Preceding Taxable Year	NOL Before SRLY Limit/ NOL After SRLY Limit	Consolidated Adjustments	Consolidated NOL Available	NOL Carryover Utilized	Carryover to Next Year
15th 12/31/89					
14th 12/31/90					
13th 12/31/91					
12th 12/31/92					
11th 12/31/93					
10th 12/31/94					
9th 12/31/95					
8th 12/31/96					
7th 12/31/97					
6th 12/31/98					
5th 12/31/99					
4th 12/31/00					
3rd 12/31/01					
2nd 12/31/02					
1st 12/31/03	8,622,458 8,622,458		8,622,458	1,955,909	6,666,549
NOL Carryover Available To Current Year			8,622,458		
Current Year	0 1,955,909			1,955,909	0
NOL Carryover Available To Next Year					6,666,549

Form <b>1120</b>	<b>Consolidated Capital Loss Carryover and Carryback Worksheet</b>	<b>2004</b>
For calendar year 2004 or tax year beginning _____, ending _____		
Name  <b>ENERGY MERCHANT CORP</b>		Employer Identification Number  <b>13-3855623</b>

Consolidated Capital Loss Carryover					
Preceding Tax Year	Capital Loss Carryover Before/After SRLY Limit	Consolidated Adjustments	Consolidated Capital Loss Carryover	Carryovers Utilized	Next Year Capital Loss Carryover
5th 12/31/99					
4th 12/31/00					
3rd 12/31/01					
2nd 12/31/02					
1st 12/31/03					
Capital Loss Carryover Available to Current Year		0			
Current Year	3,188,437				0
Capital Loss Carryover Available to Next Year					0

Consolidated Capital Loss Carryback					
Preceding Tax Year	Gain Available To Be Offset By Carryback	Gain Available After SRLY Limit	Consol Adjustments/ Consolidated Gain Available To Be Offset By C/B	Gain Offset By Carryback	Next Year Capital Loss Carryover
3rd 12/31/01					
2nd 12/31/02					
1st 12/31/03	1,770,733	1,770,733	1,770,733		
Current Year					

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## Federal Statements

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### General Footnote

#### Description

#### SCHEDULE E COMPENSATION OF OFFICERS:

NAME	SSN	TIME	COMMON	COMPENSATION
S K HODAPP	106-52-9250	100.00	68.50	400,000
V PAPA	070-38-3201	100.00	1.00	253,500
R A WENOM	500-46-1850	100.00	0.00	264,688
				918,188

**Federal Statements**Statement 1 - Form 1120, Page 1, Line 10 - Other Income

<u>Description</u>	<u>Amount</u>
<u>ENERGY MERCHANT CORP</u>	
CENCO LAWSUIT	1,130,550
POC MANAGEMENT FEE	500,000
SUBTOTAL	1,630,550
<u>ENERGY MERCHANT HOLDING INC</u>	
EMC CAPITAL CORP	-75,073
ENERGY MERCHANT LLC	-2,303,069
SUBTOTAL	-2,378,142
<u>POWERINE OIL COMPANY</u>	
COD - CA EXCISE TAX ABATEMENT	349,237
SUBTOTAL	349,237
TOTAL	-398,355

## Federal Statements

Statement 2 - Form 1120, Page 1, Line 10 - Other Income Pass Through Information

<u>Name of Entity</u>	<u>EIN</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
<u>ENERGY MERCHANT HOLDING INC</u>					
ENERGY MERCHANT LLC	52-2101198	P.O. BOX 549, 5 LAKE FANNY RD	BEL AIR	MD	21014-0549



**Federal Statements****Statement 3 - Form 1120, Page 1, Line 26 - Other Deductions**

<u>Description</u>	<u>Amount</u>
<u>ENERGY MERCHANT CORP</u>	
ADP FEES	7,774
AUTO & LOCAL TRAVEL	23,009
BANK CHARGES	318
CLEANING & JANITORIAL	10,589
COMPUTER EXPENSES	6,970
CONSULTANTS	66,000
DUES AND SUBSCRIPTIONS	4,657
INFORMATION SERVICES	48,447
INSURANCE	150,502
OFFICE EXPENSE	305,832
POSTAGE & DELIVERY	2,714
PROFESSIONAL FEES	186,591
TELEPHONE	39,069
TRAVEL & LODGING	221,689
UTILITIES	21,067
50% OF MEALS & ENTERTAINMENT	76,355
TOTAL	<u>1,171,583</u>

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## Federal Statements

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### Statement 4 - Form 1120, Pg 3, Sch K, Question 3 - Corp Owns 50% or More of a Domestic Corp

<u>EIN</u>	<u>Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Percent Owned</u>	<u>Income (Loss)</u>
13-4104912	ENERGY MERCHANT HOLDING INC	126 E 56TH ST, 33 FLR	NEW YORK	NY	10022	100.000	\$
95-4564080	POWERINE OIL COMPANY	126 E 56TH ST, 33 FLR	NEW YORK	NY	10022	100.000	
95-4059009	ANGLO PETROLEUM CORP	126 E 56TH ST, 33 FLR	NEW YORK	NY	10022	100.000	
13-3817433	CORPORATE DEVELOPMENT INC	126 E 56TH ST, 33 FLR	NEW YORK	NY	10022	100.000	

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## Federal Statements

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**Statement 5 - Form 1120, Pg 3, Sch K, Question 5 - Did Entity Own 50% or More of Corp Stock?**

<u>EIN/SSN</u>	<u>Name of Entity</u>	<u>Percent Owned</u>
106-52-9250	SIEGFRIED K HODAPP	68.500
TOTAL		<u>68.500</u>

# Federal Statements

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## Statement 6 - Form 1120, Page 4, Schedule L, Line 6 - Other Current Assets

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
DUE FROM AFFILIATES	502,047	382,047
LOANS TO EMPLOYEES	1,854,428	1,529,428
PREPAID CA INCOME TAXES	69,801	
DUE FROM LDC		834,235
FC STONE ACCT		5,103,820
TOTAL	2,426,276	7,849,530

## Statement 7 - Form 1120, Page 4, Schedule L, Line 9 - Other Investments

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
EMC HANDLES GMBH	247,388	
POWERINE OIL COMPANY	1,000,000	1,000,000
ENERGY MERCHANT HOLDING INC	-785,573	1,256,715
SUBTOTAL	461,815	2,256,715
ENERGY MERCHANT HOLDING INC		
ENERGY MERCHANT STORAGE	100,000	100,000
EMC CAPITAL CORP	75,073	
ENERGY MERCHANT LLC	-1,460,647	1,156,713
SUBTOTAL	-1,285,574	1,256,713
ADJUSTMENT	285,574	-2,256,713
TOTAL	-538,185	1,256,715

## Statement 8 - Form 1120, Page 4, Schedule L, Line 14 - Other Assets

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
DEPOSITS	155,699	155,699
TOTAL	155,699	155,699

## Statement 9 - Form 1120, Page 4, Schedule L, Line 18 - Other Current Liabilities

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
DUE TO AFFILIATES	968,987	6,340,572
SUBTOTAL	968,987	6,340,572

**Federal Statements**

FYE: 12/31/2004

**Statement 9 - Form 1120, Page 4, Schedule L, Line 18 - Other Current Liabilities**  
**(continued)**

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
ADJUSTMENT	\$ <u>-881,745</u>	\$ <u>-881,745</u>
TOTAL	<u>87,242</u>	<u>5,458,827</u>

## Federal Statements

Statement 9 - Form 1120, Page 4, Schedule L, Line 18 - Other Current Liabilities  
(continued)

Description	Beginning of Year	End of Year
ADJUSTMENT	\$ -881,745	\$ -881,745
TOTAL	<u>87,242</u>	<u>5,458,827</u>

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## Federal Statements

FYE: 12/31/2004

### Statement 10 - Sch M-3, P1, Part I, Line 1c - Accounting Standards Applied

#### Description

ACCRUAL

### Statement 11 - Sch M-3, P1, Part I, Includible Corporations With No Activity

<u>Name of Entity</u>	<u>EIN</u>
CORPORATE DEVELOPMENT INC	13-3817433
ANGLO PETROLEUM CORPORATION	95-4059009

## Federal Statements

Statement 12 - Sch M-3, P2, Part II, Line 6 - Income (Loss) From Equity Method US Corps

Name	EIN	Type of Entity	Income (Loss) per Inc Stmt	Temporary Difference	Permanent Difference
ENERGY MERCHANT CORP					
ENERGY MERCHANT HOLDING INC	13-4104912	C-CORP	3,542,287		-3,542,287
TOTAL			3,542,287	0	-3,542,287

Statement 13 - Sch M-3, P2, Part II, Line 7 - US Dividends Not Eliminated in Tax Consolidation

Name of Dividend Payer	Payer EIN	Class of Voting Stock	Income (Loss) per Inc Stmt	Temporary Difference	Permanent Difference	Deduction per Tax Return
ENERGY MERCHANT CORP						
ENERGY MERCHANT HOLDING INC	13-4104912	COMMON			1,000,000	1,000,000
TOTAL			0	0	1,000,000	1,000,000



## Federal Statements

Statement 14 - Sch M-3, P2, Part II, Line 6 - Income (Loss) From Equity Method US Corps

Name	EIN	Type of Entity	Income (Loss) per Inc Stmt	Temporary Difference	Permanent Difference
ENERGY MERCHANT HOLDING INC	13-4104912	C-CORP	\$ 3,542,287	\$	\$ -3,542,287
TOTAL			<u>3,542,287</u>	<u>0</u>	<u>-3,542,287</u>

Statement 15 - Sch M-3, P2, Part II, Line 7 - US Dividends Not Eliminated in Tax Consolidation

Name of Dividend Payer	Payer EIN	Class of Voting Stock	Income (Loss) per Inc Stmt	Temporary Difference	Permanent Difference	Deduction per Tax Return
ENERGY MERCHANT HOLDING INC	13-4104912	COMMON	\$	\$	\$ 1,000,000	\$ 1,000,000
TOTAL			<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>

## K-1 Reconciliation Worksheet

Form **1120****2004**

For calendar year 2004 or tax year beginning , ending

Name

**ENERGY MERCHANT CORP**

Employer Identification Number

**13-3855623**Activity **ENERGY MERCHANT LLC**Form **K-1**Unit **1**Type **NONPASSIVE**

Entire disposition of activity

	K1 Info	At-Risk adjustment	Suspended PAL	PAL disallowed	Tax Return
<b>1120 Page 1 Business</b>					
Ordinary income (loss)	-2,303,069				-2,303,069
Rental RE income (loss)					
Other rental inc (loss)					
Other income (loss)					
Depreciation / Sec 179					
Disallowed Sec 179 exp					
Depr/Sec 179 allowed					
Depletion					
Intangible drilling costs					
Other deductions					
Charitable contrib					
Guaranteed payments					
<b>1120 P1 Portfolio</b>					
Interest income	6,252				6,252
Royalties					
Oth portfolio inc/loss					
Investment int expense					
Deds related to portfolio					
Royalty deductions					
<b>Schedule C</b>					
Dividends					
<b>Schedule D</b>					
ST capital gain (loss)					
LT capital gain (loss)	4,918,000				4,918,000
<b>Form 4797</b>					
Part I gain (loss)					
Part II gain (loss)					
<b>Schedule M</b>					
Tax-exempt interest inc					
Other tax-exempt inc					
Nondeductible exp	-798				-798
<b>Payments</b>					
Backup withholding					
<b>Form 4626</b>					
Post 86 depr adj					
Adjusted gain (loss)					
Depletion					
Oth adjmts & tax prefs					

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13-3855623  
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## Federal Statements

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### Form 1120, Page 1, Line 5 - Interest

<u>Description</u>	<u>Amount</u>
ENERGY MERCHANT CORP	
OTHER INTEREST	20,613
SUBTOTAL	20,613
ENERGY MERCHANT HOLDING INC	
US OBLIGATION INT (SCH K-1)	371
OTHER INTEREST (SCH K-1)	5,881
SUBTOTAL	6,252
TOTAL	26,865

### Form 1120, Page 1, Line 13 - Salaries and Wages

<u>Description</u>	<u>Amount</u>
ENERGY MERCHANT CORP	
SALARIES AND WAGES	423,558
TOTAL	423,558

### Form 1120, Page 1, Line 17 - Taxes and Licenses

<u>Description</u>	<u>Amount</u>
ENERGY MERCHANT CORP	
STATE INCOME TAXES	70,335
PAYROLL TAXES	56,562
FRANCHISE TAXES	9,154
PROPERTY TAXES	11,722
TOTAL	147,773

12088001 ENERGY MERCHANT CORP  
13-3855623  
FYE: 12/31/2004

## Federal Statements

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### Form 1120, Page 4, Schedule L, Line 7 - Loans to Shareholders

Description	Beginning of Year	End of Year
POWERINE OIL COMPANY		
SHAREHOLDER LOANS	881,745	881,745
SUBTOTAL	881,745	881,745
ADJUSTMENT	-881,745	-881,745
TOTAL	0	0

### Form 1120, Page 4, Schedule L, Line 19 - Loans from Shareholders

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
SHAREHOLDER LOANS	230,000	
TOTAL	230,000	0

### Form 1120, P4, Sch L, Line 20 - Mortgage, Notes, Bonds Pay in One Year or More

Description	Beginning of Year	End of Year
POWERINE OIL COMPANY		
ACCRUED EPA CLEAN-UP COST	8,487,170	8,487,170
TOTAL	8,487,170	8,487,170

### Form 1120, Page 4, Schedule L, Line 23 - Additional Paid-In Capital

Description	Beginning of Year	End of Year
ENERGY MERCHANT CORP		
PAID-IN CAPITAL	349,700	349,700
SUBTOTAL	349,700	349,700
ENERGY MERCHANT HOLDING INC		
PAID-IN CAPITAL	22,343,205	22,343,205
SUBTOTAL	22,343,205	22,343,205
POWERINE OIL COMPANY		
PAID-IN CAPITAL	999,999	999,999
SUBTOTAL	999,999	999,999
ADJUSTMENT	-23,343,204	-23,343,204
TOTAL	349,700	349,700

12088001 ENERGY MERCHANT CORP

13-3855623

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## Federal Statements

### Form 4626, Line 2a - Depreciation of Post-1986 Property

<u>Description</u>	<u>Amount</u>
<u>ENERGY MERCHANT CORP</u>	
NON-PASSIVE ACTIVITIES	<u>-15,205</u>
TOTAL	<u><u>-15,205</u></u>



**EMC**  
**Journal Entries**  
**FYE 12/31/98**

		DR.	CR.
<b>1</b>	Citicorp Receipts		
	Cash in Bank - Citicorp	5,084,237.12	
	Advest		4,000,000.00
	Vanguard		1,057,741.74
	Interest Income - Vanguard		26,471.40
	Interest Income		23.98
<b>2</b>	Citicorp Disbursements		
	Standard Charter (for EMLLC)		
	Due from Powerline	127,000.00	
	Purchase of office equipment	12,302.61	
	PNC (payroll)	196,000.00	
	Due from NMB	75,347.40	
	Prepaid Expenses (Consulting)	30,000.00	
	Advest	1,000,000.00	
	Bank Charges	897.93	
	Telephone	15,668.65	
	Travel	6,488.00	
	Meals	340.58	
	Office Supplies	2,761.71	
	Misc. General	19,271.08	
	Rent	58,506.88	
	Courier	1,489.15	
	Utilities	750.11	
	Auto	6,888.00	
	Data	1,739.07	
	Medical Insurance	8,561.81	
	Travel & Entertainment - Other	221,198.41	
	Legal Settlement	220,533.31	
	Cleaning	1,308.83	
	Legal	15,280.25	
	Professional	156,139.00	
	Property Tax	5,049.88	
	Memberships	397.00	
	Cash in Bank - Citicorp		5,183,919.66
<b>3</b>	Funds at Advest		
	Advest		16,877,640.12
	Cash to Citicorp	4,000,000.00	
	Advance to EMCC - Pioneer	1,300,000.00	
	Advance to EMCC - Refco	900,000.00	
	Bank Charges	234.00	
	Interest Expense		177,601.69
	Interest Income	12,377.92	
	Securities held for sale	10,242,210.00	
	Securities for Trading	392,475.51	
	Prepaid Interest on Debt securities	176,588.31	
	Trading Income	31,356.07	
<b>4</b>	Unrealized Gain or Loss in the value of Securities per FAS 115		
	Securities Portfolio unrealized gain or loss		190,316.67
	Unrealized Gain or Loss in the value of securities	190,316.67	

**EMC  
Journal Entries  
FYE 12/31/98**

		DR.	CR.
<b>5</b>	Reverse A/P Accrual of 8/31/98		
	Accounts Payable	22,504.18	
	Travel		19,586.51
	Communications		90.21
	Telephone		2,388.75
	Delivery		262.90
	Data Processing		155.72
	Utilities		20.09
<b>6</b>	Accrue A/P at 12/31/98		
	Accounts Payable		32,773.76
	Professional (AA)	31,500.00	
	Medical	900.00	
	Legal	373.76	
<b>7</b>	Accrued Employee Bonuses		
	Employee Bonus	302,500.00	
	Accrued Employee Bonuses		302,500.00
<b>8</b>	Payroll Expense 9/98 to 12/31/98		
	Payroll Expense	197,270.24	
	Payroll Tax Expense	9,241.03	
	Employee Insurance	895.14	
	PNC - payroll account		207,406.41
<b>9</b>	Reverse Accrued Payroll at 8/31/98		
	Accrued Payroll	10,866.40	
	Accrued Payroll Taxes	259.17	
	Payroll Expense		11,125.57
<b>10</b>	Accrue Payroll at 12/31/98 (4 days)		
	Accrued Payroll	1,411.12	
	Payroll Expense		1,411.12
	Accrued Payroll Taxes	247.20	
	Payroll Tax Expense		247.20
<b>11</b>	Correct Investment in EMCC		
	Investment in EMCC		
	Refco		500,000.00
	Pioneer		500,000.00
<b>12</b>	Consolidate A/R from POC		
	Due from POC	14,245.90	
	A/R - POC		14,245.90
<b>13</b>	Correct Investment and expenses for EMLLC / Eildon		
	Investment in EMLLC		
	Due to EMLLC		7,000,000.00
	Due to EMLLC	116,139.00	
	Professional Expense		116,139.00
<b>14</b>	Correct Harrmon, Hemmelrath & Partner - Lawsuit Settlement per VP		



**EMC  
Journal Entries  
FYE 12/31/98**

		DR.	CR.
	Settlement of Law Suit	209,720.00	
	Legal Expenses (Germany)	10,813.31	
	Loan Officer		220,533.31
<b>15</b>	Depreciation of Office Equipment		
	Depreciation (205.00/mo. / 5yr -SL)	410.00	
	Acc Depr		410.00
<b>16</b>	Securities purchased on Margin but not settled by 12/31/99		
	Trading Securities	807,551.16	
	Cash - Advest		807,551.16
<b>17</b>	Accrued Interest on Securities owned but not received at 12/31/99		
	Interest Receivable	78,179.69	
	Interest Income		78,179.69
<b>18</b>	Wires from Citicorp between 12/22/98 and 12/31/98		
	Loan to Powerine	29,000.00	
	Pnc Payroll	25,000.00	
	Consultant - June Chrisman	25,000.00	
	Citicorp - Cash		79,000.00
<b>19</b>	Harmon, Hemmelrath A/P on POC books paid by EMC as part of 9/98 payment.		
	Loan Receivable POC	5,280.00	
	Legal Expenses		5,280.00
<b>20</b>	Harmon, Hemmelrath payment Citicorp Wire on 9/17/98.		
	Loan Recievable - Shareholder (S. Hodapp)	209,720.00	
	Legal Settlement		209,720.00



**ROPES & GRAY**  
**ONE INTERNATIONAL PLACE**  
**BOSTON, MASSACHUSETTS 02110-2624**

30 KENNEDY PLAZA  
PROVIDENCE, RI 02903-2358  
(401) 455-4400  
FAX: (401) 455-4401

(617) 951-7000  
FAX: (617) 951-7050  
WRITER'S DIRECT DIAL NUMBER: (617) 951-7485  
WRITER'S E-MAIL ADDRESS: LFRASER@ROPESGRAY.COM

ONE FRANKLIN SQUARE  
1301 K STREET, N. W.  
SUITE 800 EAST  
WASHINGTON, DC 20005-3333  
(202) 626-3900  
FAX: (202) 626-3901

August 31, 1999

**BY OVERNIGHT COURIER**

Mr. Vincent Papa  
Energy Merchant Corp.  
767 Fifth Avenue, 23rd Floor  
New York, NY 10153

Re: Power and Energy Capital Group, Inc.

Dear Mr. Papa:

At the request of Megan Kelleher, enclosed are execution copies of the following documents:

1. Secured Term Note. *+ sent*
2. Warrant.
3. Security Agreement.
4. UCC-1 financing statement to be filed in Maryland.

I have also enclosed marked versions of the Note and Security Agreement for your reference.

Please feel free to call Megan or me with any questions.

Very truly yours,

*Leigh Fraser*

Leigh R. Fraser

Enclosures

cc: Megan Kelleher  
Tim Diggins

## ENERGY MERCHANT, LLC

## SECURED TERM NOTE

August 31, 1999

FOR VALUE RECEIVED, the undersigned Energy Merchant, LLC, a Delaware limited liability company (the "Company"), hereby promises to pay to Power and Energy Capital Group, Inc., a Massachusetts corporation (the "Holder"), or registered assigns, the sum of \$10,000,000 (or, if less, the aggregate amount of advances made by the Holder to the Company hereunder), with accrued interest thereon, at the address set forth in Section 7 hereto, or at such other place as the Holder of this Note shall from time to time have designated to the Company in writing, on the date (the "Maturity Date") that is the earlier of (a) the tenth anniversary of the date hereof, and (b) the date on which all of the programs and transactions described on Schedule A hereto, as such Schedule A may be supplemented or amended from time to time by agreement between the Company and the Holder (the "Permitted Activities"), have terminated or otherwise been completed (due to expiration, voluntary termination, backwardation or otherwise).

This Note shall accrue interest at a rate equal to the Net Profit Share. The "Net Profit Share" shall be an amount equal to 50% of the aggregate realized profits of the Company in respect of the Permitted Activities, after deducting from such profits (a) the portion of such profits (together with any management fees payable pursuant to the Eildon Agreement (as defined below) or the Agreement Related to Energy Risk Management Advisory Services, dated as of December 10, 1998, between Energy Merchant Corporation and Eildon Marketing LLC, the "Eildon Share"), if any, that the Company is required to pay to Eildon Associates pursuant to the Service Agreement Related to Energy Risk Management Programs dated as of December 10, 1998, between Energy Merchant Corporation and Eildon Associates, LLC, as in effect on the date hereof, or as amended with the prior written approval of the Holder (the "Eildon Agreement"), and (b) any other profit shares agreed to in writing by the Holder (together with the Eildon Share, "Approved Profit Shares"). If the amount of any Approved Profit Share has not been finally determined as of the date of payment of any interest on this Note, then the parties shall together estimate the amount of the Approved Profit Share, if any, and the amount of such interest shall be calculated using such estimate; if the actual amount of the Approved Profit Share, if any, is ultimately determined to be different from the amount so estimated, then the Company shall pay additional interest, or the Holder shall refund interest, as the case may be, in an amount reflecting the difference. Such interest, if any, shall be payable quarterly, on the fifteenth day of the first month of such quarter (or on the next following business day, if such fifteenth day is not a business day), in an amount equal to the

amount of Net Profit Share realized in respect of the Permitted Activities during the preceding calendar quarter, and on the Maturity Date in an amount equal to the Net Profit Share of the Company in respect of the Permitted Activities not previously paid by the Company to the Holder. In the event that any additional profit is realized by the Company in respect of the Permitted Activities following the Maturity Date, the Company shall pay additional interest in an amount equal to the Net Profit Share determined in respect of such additional profit. For the avoidance of doubt, the parties agree that the Holder shall be entitled to receive as interest 50% of all profits realized by or inuring to the Company in respect of the Permitted Activities (after deducting any Approved Profit Share) and the provisions of this Note shall be construed so as to give effect to such agreement. To the extent that the interest payable by the Company to the Holder in respect of any quarter is a negative number, such amount shall be carried forward and applied to reduce the interest payable by the Company to the Holder in subsequent periods. To the extent that the accrued and unpaid interest hereon as of the Maturity Date is a negative number, the aggregate outstanding principal amount due to the Holder hereunder shall be reduced by such amount.

The following costs and expenses of the Company shall be taken into account in determining the aggregate profit of the Company in respect of the Permitted Activities: (a) any Approved Profit Share, (b) any reasonable ordinary business expenses of the Company (other than any overhead expenses of the Company), including without limitation any expenses incurred in connection with negotiating, entering into, or executing any Permitted Activity, and (c) any other expenses specifically agreed to in writing by the Holder. Except as provided in the foregoing sentence, in no event will any costs and expenses of the Company be taken into account in determining the aggregate profit of the Company in respect of the Permitted Activities, including without limitation the following: (i) any portion of the overhead of the Company or any of its Affiliates (including without limitation the salaries of any employee of the Company or any of its Affiliates); or (ii) any cost or expense of any kind of the Company in enforcing the terms of any Permitted Activity against third parties.

1. **Prohibition on Prepayments.** The Company may not prepay the principal amount hereunder without the prior written consent of the Holder.
2. **Security.** The obligations of the Company under this Note are secured pursuant to the Subordinated Security Agreement dated as of August \_\_, 1999 (the "**Security Agreement**") between the Company and the Holder.
3. **Representations and Warranties of the Company.** The Company represents and warrants to the Holder (which representations and warranties will be deemed to be repeated by the Company at all times when any amounts are outstanding under this Note) that:

3.1 **Due Organization.** The Company is a limited liability company duly organized and validly existing and in good standing under the laws of Delaware, whose equity interests are owned 99% by Energy Merchant Corporation and 1% by Siegfried Hodapp.

3.2 Due Authorization. The Company has the power to execute and deliver this Note, the Membership Interest Purchase Warrant of the Company issued by the Company to the Holder as of the date hereof (the "Warrant"), the Security Agreement, and any other document or agreement contemplated by or in furtherance of the purposes of this Note or the Permitted Activities (each, including without limitation this Note, the Warrant and the Security Agreement, a "Relevant Document"), and to perform its obligations under each thereof, and has taken all necessary action to authorize such execution, delivery and performance.

3.3 Noncontravention. Such execution, delivery, and performance do not violate or conflict in any material respect with any law applicable to the Company, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets, or any contractual restriction binding on or affecting it or any of its assets.

3.4 Consents. All governmental and other consents that are required to have been obtained by the Company with respect to each Relevant Document and the performance thereof have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

3.5 Enforceability. The obligations of the Company under each Relevant Document constitute its legal, valid, and binding obligations, enforceable in accordance with their respective terms. The membership interests of the Company issued upon exercise of the Warrant will be duly authorized and validly issued.

3.6 No Proceedings. There is not pending or, to the Company's knowledge after due inquiry, threatened against the Company or any Affiliate of the Company any action, suit, or proceeding at law or in equity or before any court, tribunal, governmental body, agency, or official or any arbitrator that is reasonably likely to have a material adverse effect on the legality, validity, or enforceability against it of any Relevant Document or its ability to perform its obligations under such Relevant Document.

4. Covenants. The Company covenants and agrees as follows:

4.1 Use of Proceeds. The Company shall use the proceeds of the loan made by the Holder to the Company hereunder solely in connection with the Permitted Activities, unless otherwise agreed in writing by the Holder.

4.2 Reports. The Company shall provide to the Holder every other week (and, in addition, upon one business day's notice, on any other business day requested by the Holder) when any transaction in connection with the Permitted Activities is open (a) a calculation of the realized and unrealized profit or loss in respect of such transaction as of such date, (b) the current market pricing of such transaction as of such date, (c) a description of any actions

taken by the Company or any counterparty in respect of such transaction or any position comprising such transaction since the last such report, and (d) all other reports or information reasonably requested by the Holder.

**4.3 Confidentiality: No Liability.** The Company and each of its Affiliates may only disclose the identity of the Holder and its Affiliates and the existence and terms of this Note if, in connection with such disclosure, the disclosing entity discloses the limited nature of the Holder's involvement with the Company and its Affiliates. The Holder shall have no liability for or in respect of the Company of any kind and in no event will the Company represent or otherwise in any way imply or suggest that the Holder has any involvement in or is in any way responsible for or liable in respect of any Permitted Activity.

**4.4 Termination of Permitted Activities.** In no event will the Company terminate any Permitted Activity unless the Company notifies the Holder of its intention to do so prior to its so terminating the Permitted Activity.

**4.5 Limitation on Distributions.** Without the prior written consent of the Holder, the Company shall not make any Distribution (as defined below) to any person (other than the Holder) unless (a) simultaneously therewith the Company pays to the Holder an amount equal to the amount of such Distribution (except to the extent such Distribution represents profit from Permitted Activity and the Holder has already received its 50% share of such profit as interest), and (b) at the time of such Distribution, no Event of Default has occurred and is continuing. Nothing in this Section 4.5 shall prevent the Company from paying Eildon Associates the Eildon Share, if any.

"Distribution" means (A) the declaration or payment of any dividend or other distribution of any kind on or in respect of a membership interest or other interest in the Company, (B) the purchase, redemption, or other retirement of any membership interest or other interest in the Company, (C) any other distribution on or in respect of any membership interest or other interest in the Company, including without limitation any distributions made upon the liquidation or dissolution of the Company, (D) any payment of principal or interest with respect to, or any purchase, redemption, or defeasance of, any indebtedness of the Company (other than any indebtedness to the Holder or under any Approved Credit Agreement (as defined below)), and (E) any payment, loan, or advance by the Company to the holder of any membership interest or other interest in the Company, or any affiliate of such holder. For the avoidance of doubt, payments made by the Company in the ordinary course of business that are not described in the foregoing clauses (A) through (E) shall not be Distributions.

**4.6 Limitation on Credit Support.** Neither the Company nor any subsidiary thereof shall seek or accept credit support of any kind from any person or entity other than the Holder or under a credit agreement with Standard Chartered Bank (or another financial institution, approved by the Holder in its reasonable discretion, of equal international standing) on terms substantially similar to those described in the term sheet provided by Standard Chartered Bank

to the Company, a copy of which has been provided to the Holder (an "Approved Credit Agreement"); provided, however, that the Company may accept credit support (a) with the prior written consent of the Holder, or (b) in the ordinary course of business. Neither the Company nor any subsidiary thereof shall consent to any amendment to or restatement of any Approved Credit Agreement without the prior written consent of the Holder. The Holder will subordinate the obligations of the Company to the Holder (and the security interest granted by the Company to the Holder pursuant to the Security Agreement) to the obligations of the Company to the senior lender (and the security interest of such senior lender) under any Approved Credit Agreement. The Holder also agrees that the obligations of the Company to the Holder hereunder are subordinated to the obligations of the Company to any customers of the Company who are not Affiliates of the Company or any Affiliates of such Affiliates incurred in connection with transactions entered into by the Company in the ordinary course of business.

**4.7 Limitation on Business Activity.** Neither the Company nor any subsidiary thereof shall engage in any business, activity, or transaction other than the Permitted Activities and other transactions approved in writing in advance by the Holder. Neither the Company nor any subsidiary thereof shall enter into any contract without the prior written consent of the Holder, other than contracts entered into in the ordinary course of business in respect of the Permitted Activities and other transactions approved in writing in advance by the Holder.

**4.8 Limitations on Amendments to Eildon Agreement.** The Company shall not consent to any amendment, restatement or termination of the Eildon Agreement without the prior written consent of the Holder.

**4.9 Limitation on Issuance of Equity.** Without the prior written consent of the Holder, the Company shall not issue any membership interest or other equity interest to any person other than Energy Merchant Corporation and no subsidiary of the Company shall issue any equity interest to any person other than the Company. Without the prior written consent of the Holder, the Company shall not own equity interests in any entities that are not wholly owned by the Company.

**4.10 Limitation on Sales of Equity.** Without the prior written consent of the Holder, the Company may not sell any of its membership interest or other equity interest in any of its subsidiaries. Without the prior written consent of the Holder, neither Energy Merchant Corporation nor Siegfried Hodapp will sell, pledge or otherwise assign any of its membership interest or other equity interest in the Company. Without the prior written consent of the Holder, Siegfried Hodapp will not sell any of his shares, or any other direct or indirect interest, in Energy Merchant Corporation.

**4.11 Limitation on Mergers or Similar Transactions.** None of Energy Merchant Corporation, the Company, or any of its subsidiaries shall consolidate or amalgamate with, or merge into, or transfer all or substantially all its assets to, another entity (other than a merger



of one wholly-owned subsidiary of the Company with and into another wholly-owned subsidiary of the Company or a merger of a wholly-owned subsidiary of the Company with and into the Company) if, at the time of such consolidation, amalgamation, merger, or transfer, the resulting, surviving or transferee entity has not been approved in advance by the Holder.

5. Defaults.

5.1 Events of Default. Each of the following events is herein referred to as an "Event of Default":

5.1.1. Payment. The Company shall fail to make any payment in respect of interest on or principal of this Note as the same shall become due, whether at maturity or by acceleration or otherwise and such failure shall continue for a period of two (2) business days; or

5.1.2. Breach of Covenant. The Company or any of its Affiliates shall fail to perform or observe any other covenant, agreement or provision to be performed or observed by it under any Relevant Document and such failure shall not be rectified or cured to the satisfaction of the Holder within five (5) days; or

5.1.3. Breach of Representation. Any written representation or warranty of or with respect to the Company made in connection with any Relevant Document shall prove to have been false in any material respect on the date as of which it was made without reference to whether such representation or warranty was made with knowledge or without knowledge; or

5.1.4. Cross-Default. An event of default shall occur and be continuing under any Approved Credit Agreement or with respect to any other material obligation owed by the Company or any of its subsidiaries, or the Company or any of its subsidiaries shall breach any of its material obligations to any person or entity under or in respect of any Permitted Activity or any other transaction financed with proceeds of a loan by the Holder to the Company, and such failure is not cured within any applicable grace period or any event of default or comparable event shall occur under or in respect of any Permitted Activity or any other transaction financed with proceeds of a loan by the Holder to the Company; or

5.1.5. Bankruptcy, etc. The Company or any Affiliate of the Company shall be involved in financial difficulties as evidenced by: (a) its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case; (b) the commencement of an involuntary case under said Title 11 and such case is not dismissed within 30 days; (c) its filing an answer or other pleading admitting or failing to deny the material

allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to, or acquiescing in the relief therein sought or provided, or by failing to controvert timely the material allegations of any such petition; (d) the entry of an order for relief in any involuntary case commenced under said Title 11; (e) its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction, whether within or without the United States of America, relating to the insolvency, liquidation, or reorganization of debtors or the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief or any involuntary case or petition filed or made therefor (including without limitation making or seeking to make any arrangement or composition with its creditors, seeking any order or arrangement for rehabilitation or for the appointment of any receiver, administrative receiver, administrator, trustee, or person performing similar functions, or instituting supervisory proceedings or proceedings for court administration or similar proceedings in any jurisdiction); (f) the commencement of any involuntary case or proceeding of the nature referred to in (e) above and such case is not dismissed within 30 days; (g) the passing of any resolution by its members, shareholders, partners, or other controllers to effect, approve or seek its winding up, dissolution or liquidation; (h) the entry of any order by a court, tribunal, or other authority of competent jurisdiction finding it to be bankrupt or insolvent, ordering or approving its liquidation, winding up, dissolution, or reorganization or any modification or alteration of the rights of its creditors, or assuming custody of, or appointing a receiver, administrator, administrative receiver, trustee, custodian, or other person performing similar functions for all, or a substantial part, of its property or business; (i) its making an assignment for the benefit of, or entering into a composition or other arrangement with, its creditors, or appointing or consenting to the appointment of a receiver, administrator, administrative receiver, trustee, custodian, or other person performing similar functions for all or a substantial part of its property or business; or (j) its admission in writing of its inability to pay its debts as they become due; or

**5.1.6. Revocation of License.** Any authorization, consent, approval, license, exemption of, or filing or registration with any court, tribunal, or governmental department, commission, board, bureau, agency, or instrumentality, securities exchange, or association, whether of the United States of America or any other jurisdiction (each, a "License"), required for the execution of any Relevant Document by the Company, entry into any Permitted Activity by the Company or any of its subsidiaries or performance of its obligations hereunder or thereunder or otherwise required for the Company or any of its subsidiaries to engage in its business as now conducted or contemplated by this Note or any Relevant Document shall be revoked or suspended or shall fail to be renewed by any agency, court, tribunal, or other governmental entity or regulatory body of any political subdivision of any kind in any jurisdiction whether or not of or located in the United States, or if any such person or entity shall take any disciplinary action against the Company, or make any order restricting the activities of the Company or its ability to dispose of its assets, in each

case which in the opinion of the Holder has or could have a material adverse effect on the ability of the Company to perform its obligations hereunder; or

**5.1.7. Violation of Law.** The Company engages in any activity violative of any law, rule, or regulation (including without limitation any rule or by-law of any exchange, securities association, or self-regulating organization) relating to any part of its business which in the opinion of the Holder has or could have a material adverse effect on the ability of the Company to perform its obligations hereunder or under any Permitted Activity.

**5.2 Remedies.** Upon the occurrence and during the continuance of any Event of Default the Holder may accelerate the maturity of this Note upon notice to the Company (and upon the occurrence of an Event of Default under Section 5.1.5 above, such maturity shall be automatically accelerated) and may exercise any remedies at law or in equity. If an Event of Default occurs, the Holder (at its election) may set off any or all amounts which the Company owes to it under this Note or otherwise, whether or not then due, against any or all amounts which it owes to the Company under this Note or otherwise, whether or not then due.

**5.3 Waivers.** The Company hereby waives to the extent not prohibited by applicable law which cannot be waived (a) all presentments, demands for performance, notice of nonperformance (except to the extent specifically required by the provisions hereof), (b) any requirement of diligence or promptness on the part of the Holder in the enforcement of its rights under this Note, (c) except to the extent required by other provisions of this Note, any and all notices of every kind and description which may be required to be given by any statute or rule of law, and (d) any defense of any kind (other than indefeasible payment) which it may now or hereafter have with respect to its liability under this Note.

**5.4 Course of Dealing.** No course of dealing between the Company and its Affiliates on the one hand, and the Holder and its Affiliates, on the other hand, shall operate as a waiver of any of the Holder's rights under this Note. No delay or omission in exercising any right under this Note shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any other occasion. No waiver or statement of satisfactory cure or consent shall be binding upon the Holder unless it is in writing and signed by the Holder.

**6. Indemnification.** The Company agrees to indemnify, defend, and hold and save harmless the Holder from any and all losses, damages, claims, actions, demands, or lawsuits of any kind whatsoever (including reasonable attorneys' fees) (other than a loss with respect to the Permitted Activities or a loss with respect to the amount of interest due by the Company to the Holder hereunder) arising in any way directly or indirectly out of the transactions contemplated by this Note except such as may be caused by the gross negligence or willful misfeasance of the Holder.

Any remedy provided to the Holder or the Company in this Note, including any remedy provided by this Section 6, shall not be exclusive, and a party shall be entitled to exercise all rights and take advantage of all remedies available to it under applicable law.

7. **Notices.** All notices, requests and demands to or upon the Company or the Holder shall be deemed effective upon receipt and shall be given in writing (including by facsimile transmission), as follows:

If to the Company: Energy Merchant, LLC  
767 Fifth Avenue, 23rd Floor  
New York, New York 10153  
Telecopier No.: 212-\_\_\_\_\_  
Attention: Siegfried Hodapp

If to the Holder: Power and Energy Capital Group, Inc.  
c/o Harvard Management Company, Inc.  
600 Atlantic Avenue  
Boston, MA 02210  
Telecopier No.: 617-523-1360  
Attention: Stuart Porter and Michael Pradko

8. **General.** This Note shall bind and inure to the benefit of the Company and the Holder and their respective successors and assigns; provided, however, that the obligations of the Company hereunder may not be assigned without the prior written consent of the Holder. This Note is a sealed instrument and shall be governed by and construed in accordance with the laws (other than choice of laws rules) of the State of Delaware.

For the purposes of this Note, "Affiliate" shall mean any entity controlled, directly or indirectly, by the Company, any entity that controls, directly or indirectly, the Company, and any entity under common control with the Company. For purposes of this definition, "control" of an entity means ownership or control of a majority of the voting power of the entity.

The invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of any other term or provision hereof.

This Note is hereby executed on behalf of the Company as of the date first written above by its duly authorized officer.

ENERGY MERCHANT, LLC

By: 

Name:

Title:

Ples  
Sig

Schedule A

**PERMITTED ACTIVITIES**